

INTERCO INCORPORATED

142,667 ADDITIONAL SHARES OF COMMON STOCK

MERGER OF UNITED SHIRT DISTRIBUTORS, INC. INTO
CA INCORPORATED

Number of Shares of Common Stock
issued as of
December 21, 1973:
10,048,113
(No treasury shares are held)

Number of Common Shareholders
of Record as of
December 21, 1973:
13,489

DESCRIPTION OF TRANSACTION

United Shirt Distributors, Inc. ("United") will be merged into CA Incorporated ("CA Inc."), a wholly-owned subsidiary of INTERCO INCORPORATED ("INTERCO") on or about January 31, 1974 pursuant to an Agreement and Plan of Reorganization, dated November 19, 1973 ("Agreement"). The 142,667 shares of INTERCO Common Stock are the maximum number of shares which INTERCO will issue to capitalize CA Inc.

Attached hereto and incorporated herein by reference is a copy of United's Proxy Statement dated December 28, 1973 relating to this transaction.

INTERCO, through certain of its officers and employees and other agents, made an investigation and an evaluation of the financial condition, physical properties, assets, management and operation of United and determined that the fair value of the stock to be acquired is at least equal to the value of the shares of INTERCO Common Stock to be delivered in the merger. In the opinion of the management of INTERCO, the transaction is beneficial to INTERCO in that it will permit INTERCO to enter a new geographical location and contribute to the expansion of its men's specialty retail operation. No officer, director or principal shareholder of INTERCO or its subsidiaries had any direct or indirect beneficial interest in United.

The acquisition of United will be treated for accounting purposes as a "pooling of interests", in conformity with the requirements of Accounting Principles Board Opinion No. 16. This treatment has been reviewed and approved by Peat, Marwick, Mitchell & Co., INTERCO's independent certified public accountants, as being in accordance with generally accepted accounting principles.

RECENT DEVELOPMENTS

There have not been any important recent developments affecting the Company or its business, notice of which has not heretofore been released publicly.

AUTHORITY FOR ISSUANCE

The merger transaction, capitalization of CA Inc. and the issuance of the aforesaid 142,667 INTERCO Common Shares, pursuant thereto, were approved by the Executive Committee of the Board of Directors of INTERCO on November 19, 1973. The Boards of Directors of CA Inc. and United approved the Agreement on November 19, 1973, with the shareholders of United approving same on January 30, 1974.

BOARDS

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BUSINESS INF. . OPT. SERIAL

OPINION OF COUNSEL

There has been filed with the New York Stock Exchange, Inc. in support of this Application, the opinion of Ronald L. Aylward, INTERCO INCORPORATED, Ten Broadway, St. Louis, Missouri 63102, Vice-President and General Counsel of the Company, to the effect that: (a) INTERCO INCORPORATED and CA Inc. are corporations duly organized and legally existing under the laws of the State of Delaware; (b) the issuance of 142,667 additional shares of Common Stock, the listing of which application is hereby made, has been duly authorized; (c) such shares of Common Stock will be validly issued and outstanding and fully paid and nonassessable; (d) no personal liability will attach, by virtue of the ownership of such shares, under the laws of the State of Delaware (the state of incorporation of INTERCO), or the State of Missouri (the state in which INTERCO's principal place of business is located).

Two Registration Statements covering said 142,667 shares of Common Stock were filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended. Registration No. 2-49171 on Form S-14 covering 112,652 shares was filed on September 27, 1973 and became effective on October 30, 1973 and Registration No. 2-49741 on Form S-14 covering 30,015 shares was filed on November 29, 1973 and became effective on December 28, 1973.

INTERCO INCORPORATED

By DUANE A. PATTERSON,
Secretary

The New York Stock Exchange, Inc. hereby authorizes the listing, upon official notice of issuance, of 142,667 additional shares of Common Stock without par value of INTERCO INCORPORATED, in connection with the merger of CA Incorporated and United Shirt Distributors, Inc., as hereinabove set forth, making a total of 11,866,531 shares of Common Stock authorized to be listed.

MERLE S. WICK, *Vice President*
Division of Stock List

JAMES J. NEEDHAM, *Chairman of the Board*
New York Stock Exchange, Inc.

UNITED SHIRT DISTRIBUTORS, INC.

1927 Michigan Avenue
Detroit, Michigan 48216
Tel. (313) 962-9895

December 28, 1973

TO THE SHAREHOLDERS:

Your Board of Directors has unanimously approved an Agreement and Plan of Reorganization between United and INTERCO INCORPORATED, a Delaware corporation (INTERCO). Attached is a Notice of Special Meeting of Shareholders of United to be held on January 30, 1974 to consider and vote upon the proposed transaction.

Under the proposed Plan of Reorganization, United would be merged with and into CA Incorporated, a Delaware corporation, which is a wholly owned subsidiary of INTERCO, and the Common Shares of United will be changed into shares of Common Stock of INTERCO. The exchange ratio will be based on the mean average New York Stock Exchange closing price of INTERCO Common Stock for the ten (10) trading days preceding the calendar week in which the vote of the United shareholders is taken. Said average closing price will be divided into \$4,280,000 to determine the number of shares of INTERCO Common Stock to be issued; however, the maximum and minimum number of INTERCO shares will be 142,667 and 112,652, respectively. Based on 290,078 shares of United Common Stock outstanding as of December 26, 1973, the exchange ratio will be within the range of 2.0332 to 2.5750 shares of United Common Stock for each share of INTERCO Common Stock (0.4918 to 0.3883 shares of INTERCO for one (1) share of United).

INTERCO is a publicly held corporation whose stock is listed on and traded on the New York and Midwest Stock Exchanges. On December 17, 1973, the high and low prices for INTERCO's Common Stock on the New York Stock Exchange were 24 $\frac{1}{2}$ and 24 $\frac{3}{8}$ respectively.

INTERCO and its subsidiaries are engaged in manufacturing shoes and wearing apparel, including many nationally advertised brands, and retailing of consumer products. Please see the Proxy Statements in reference to the extent of such operations.

Your Board of Directors and management are of the opinion that the proposed reorganization is in the best interests of the shareholders of United, in that the professional and financial resources of INTERCO will assist in expanding the operations of United and aid in the development of new operations. Furthermore, in the opinion of management the consummation of the transaction will result in greater liquidity of the investment of the shareholders, since they would receive a security with greater marketability and public investor recognition by reason of its being listed on the New York Stock Exchange.

The within Proxy Statement is also deemed to constitute a Prospectus of INTERCO for the offer of its Common Stock to the shareholders of United upon the terms and conditions described therein, pursuant to the provisions of Rule 145 under the Securities Act of 1933.

As President of United, I recommend that you vote in favor of the proposed transaction.

Management cordially invites you to attend the Special Meeting of Shareholders. In any event, however, we would appreciate your signing and returning the enclosed proxy, indicating your vote thereon. In the event that you attend the meeting, if you then desire you may revoke your proxy card and vote your shares in person.

Cordially yours,
BERT A. HYMAN
President

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE
SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION
PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Date of the within Proxy Statement is December 28, 1973

THE HISTORY OF THE

REIGN OF

CHARLES THE FIRST

BY

JOHN BURNET

OF THE UNIVERSITY OF OXFORD

IN TWO VOLUMES

LONDON

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UNITED SHIRT DISTRIBUTORS, INC.

1927 Michigan Avenue
Detroit, Michigan 48216

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD JANUARY 30, 1974

TO THE SHAREHOLDERS:

You are hereby notified that a Special Meeting of Shareholders of United Shirt Distributors, Inc. ("United") will be held at the offices of United, 1927 Michigan Avenue, Detroit, Michigan, on January 30, 1974, at 2:00 P.M., Eastern Daylight Time for the following purposes:

1. To consider and vote upon a proposed Agreement and Plan of Reorganization dated as of November 19, 1973 and its related Agreement and Plan of Merger and the transaction contemplated thereby pursuant to which United will be merged with and into CA Incorporated, a Delaware Corporation, a wholly-owned subsidiary of INTERCO INCORPORATED, a Delaware corporation ("INTERCO"), whereunder shareholders of United would receive INTERCO Common Stock in exchange for the shares of United Common Stock held by them based upon the exchange formula set forth in the Proxy Statement accompanying this notice (a copy of the Agreement and Plan of Reorganization is set forth as Appendix A to the Proxy Statement).
2. To transact such other business that may properly come before the meeting or any adjournment thereof, including any matter relating to or incident to the foregoing.

The Board of Directors has fixed the close of business on December 26, 1973, as the record date for the determination of shareholders entitled to notice of, and to vote at, such Special Meeting and any adjournment thereof.

By Order of the Board of Directors
Herbert M. Eiges
Secretary

December 28, 1973

IMPORTANT: All shareholders are requested to date, fill in, sign and promptly return the enclosed Proxy in the envelope accompanying this notice. Shareholders who attend the meeting who desire to do so may vote in person despite the fact that they previously have sent in their proxies.

Subscription price, Five Dollars per Annum in Advance.
Single Copies, Fifteen Cents.

Published by the American Medical Association, 535 North Dearborn Street, Chicago, Ill., U.S.A.
Entered as Second-Class Matter, May 26, 1917, Post Office at Chicago, Ill., under No. 102,363.
Acceptance for mailing at special rate of postage provided for in Act of October 3, 1917, authorized on July 26, 1918.

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No person has been authorized to give any information or to make any representation, other than those contained in this Proxy Statement, in connection with the offer contained herein, and, if so given or made, such information or representation must not be relied upon as having been authorized. This Proxy Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities that are covered by this Proxy Statement in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. The delivery of this Proxy Statement and the sale of any securities hereunder shall not imply that the information contained herein is correct at any time subsequent to its date.

SUMMARY OF PROXY STATEMENT AND OTHER INFORMATION

The following is a summary of certain information set forth in this Proxy Statement. The summary does not purport to be complete and should be read in conjunction with the more complete information referred to and the Proxy Statement as a whole.

Proposed Transaction

The proposed transaction was originally announced on August 14, 1973 and a Proxy Statement was mailed to United's Shareholders on October 30, 1973, soliciting proxies for a Special Meeting of Shareholders' on November 29, 1973. On November 19, 1973 the terms of the transaction were amended, necessitating the furnishing of this Proxy Statement with another solicitation of proxies and the postponing of the aforesaid Special Meeting to January 30, 1974.

The Special Meeting of Shareholders has been called to consider and vote upon a proposed Agreement and Plan of Reorganization pursuant to which United Shirt Distributors, Inc. ("United") would become a wholly-owned subsidiary of INTERCO INCORPORATED ("INTERCO") and the United Common Stock would be exchanged for Common Stock of INTERCO. The shares of United Common Stock will be converted to shares of INTERCO Common Stock based upon a formula related to the "Market Price" of INTERCO Common Stock. The Market Price will be the mean average per share closing price of INTERCO Common Stock on the New York Stock Exchange for the ten (10) trading days preceding the calendar week in which the vote of the United shareholders is taken. The total number of INTERCO shares to be issued will be determined by dividing \$4,280,000 by the Market Price, which number of INTERCO shares will be exchanged for the total number of outstanding shares of United Common Stock. The total number of shares of INTERCO Common Stock to be issued will not be less than 112,652 shares nor more than 142,667 shares, regardless of the results of the formula. The per share exchange ratio will be determined by dividing the total number of outstanding shares of United Common Stock into the total number of shares of INTERCO Common Stock to be issued. For example, if the Market Price of INTERCO Common Stock is \$34.00 and the total outstanding shares of United Common Stock are 290,078, then 125,882 shares of INTERCO Common Stock will be issued on the basis of one share of INTERCO Common Stock for each 2.3043 shares of United Common Stock (.4339 shares of INTERCO Common Stock for each share of United Common Stock). In the event the Market Price is \$30.00 or less, resulting in the maximum 142,667 shares of INTERCO Common Stock to be issued, the exchange ratio shall be one share of INTERCO Common Stock for each 2.0332 shares of United Common Stock. Likewise, in the event the Market Price is \$38.00 or more, resulting in the minimum 112,652 shares of INTERCO Common Stock to be issued, the exchange rate shall be one share of INTERCO Common Stock for each 2.5750 shares of United Common Stock. There were, as of December 26, 1973, 290,078 shares of United Common Stock outstanding. See DESCRIPTION OF AGREEMENTS.

Voting and Appraisal Rights

Holders of record of United Common Stock on December 26, 1973 are entitled to vote at the Special Meeting. The affirmative vote of a majority of the outstanding shares of United Common Stock is required for approval of the proposal, as well as the satisfaction of other conditions. It is a condition to INTERCO's obligation under the Reorganization Agreement that dissenters' rights shall not have been exercised as to more than 5% of the shares of United Common Stock. See PROXY STATEMENT and DESCRIPTION OF AGREEMENTS. Shareholders of United who dissent from the proposal have the right to be paid the fair cash value of their shares if they comply with the procedures prescribed by Delaware law. See RIGHT OF DISSENTING SHAREHOLDERS.

Harry A. Hyman, Chairman of the Board of United, and members of his family hold 115,100 shares or 39.68% of the outstanding shares of United Common Stock and Samuel Kane, Executive Vice President of United, and his wife hold 42,848 shares or 14.77% of the outstanding shares of United Common Stock. See DESCRIPTION OF UNITED COMMON STOCK.

Federal Tax Consequences

United has received an option from the law firm of Karbel, Eiges, Rothstein & Karbel that no taxable gain or loss will be recognized for Federal income tax purposes by United or its shareholders, except upon the sale of fractional share interests. See DESCRIPTION OF AGREEMENTS.

Business of United and INTERCO

United is engaged principally in the operation of 40 retail stores in metropolitan Detroit, Michigan under the name of United and Jeans Galore which feature an extensive line of popular priced

men's sportswear and accessories. See BUSINESS AND PROPERTIES OF UNITED and UNITED STATEMENT OF INCOME.

INTERCO is engaged principally in manufacturing shoes and wearing apparel and retailing of consumer products. For its fiscal year ended February 28, 1973, its net sales and net earnings were \$1,001,817,000 and \$39,122,000, respectively. See BUSINESS AND PROPERTIES OF INTERCO AND INTERCO CONSOLIDATED STATEMENT OF EARNINGS.

Furnishing of Proxy Material

United and INTERCO have each supplied the material relating to itself which is contained in this Proxy Statement.

Market Prices

The Common Stock of INTERCO is listed on the New York and Midwest Stock Exchanges. The Common Stock of United is listed on the Detroit Stock Exchange. The following table sets forth the high and low sales prices of the INTERCO Common Stock on the New York Stock Exchange and United Common Stock on the Detroit Stock Exchange for the calendar periods indicated as compiled from published sources:

	INTERCO		UNITED	
	High	Low	High	Low
1971				
First quarter	47	40 $\frac{1}{4}$	6 $\frac{3}{8}$	4 $\frac{1}{2}$
Second quarter	48 $\frac{3}{8}$	44 $\frac{1}{8}$	6 $\frac{7}{8}$	5 $\frac{3}{4}$
Third quarter	48 $\frac{3}{8}$	44	7	6
Fourth quarter	50	41	6 $\frac{3}{4}$	6 $\frac{1}{2}$
1972				
First quarter	55 $\frac{1}{4}$	47 $\frac{1}{2}$	7	6 $\frac{1}{2}$
Second quarter	55 $\frac{1}{2}$	46 $\frac{1}{4}$	8	6 $\frac{1}{4}$
Third quarter	49 $\frac{1}{2}$	43 $\frac{3}{4}$	6 $\frac{7}{8}$	6 $\frac{1}{2}$
Fourth quarter	52 $\frac{1}{4}$	43 $\frac{3}{8}$	7 $\frac{1}{8}$	6 $\frac{1}{4}$
1973				
First quarter	54	46	7 $\frac{1}{4}$	7 $\frac{1}{2}$
Second quarter	46 $\frac{1}{4}$	33 $\frac{3}{8}$	8 $\frac{1}{2}$	7
Third quarter	42 $\frac{1}{2}$	35	12 $\frac{1}{2}$	5 $\frac{1}{4}$

The last sale price for INTERCO on December 17, 1973 was 24 $\frac{3}{8}$ per share. The last sale price for United on December 6, 1973 was 9 $\frac{3}{8}$ per share.

Comparative Per Share Data

The following tabulations set forth earnings, and dividends and book values per common share of INTERCO and United on historical and pro forma combined bases. The data is presented for the maximum and minimum number of INTERCO shares which may be issued pursuant to the terms of the Agreement and Plan of Reorganization. This data should be read in conjunction with the separate consolidated financial statements of INTERCO and United and related notes as well as the pro forma combined statements. See INDEX TO FINANCIAL STATEMENTS on page 34.

Effective exchange ratio:

The exchange ratio will be based on the mean average New York Stock Exchange closing price of INTERCO Common Stock for the ten (10) trading days preceding the calendar week in which the vote of the United shareholders is taken. Said average closing price will be divided into \$4,280,000 to determine the number of shares of INTERCO Common Stock to be issued; however, the maximum and minimum number of INTERCO shares will be 142,667 and 112,652, respectively. Based on 290,078 shares of United Common Stock outstanding as of December 26, 1973, the exchange ratio will be within the range of 2.0332 to 2.5750 shares of United Common Stock for each share of INTERCO Common Stock (0.4918 to 0.3883 shares of INTERCO for one (1) share of United).

Earnings per Common Share *

	Year Ended November 30,					Nine Months Ended August 31, 1973
	1968	1969	1970	1971	1972	
INTERCO:						
Fully diluted:						
Historical	\$2.66	\$2.70	\$2.85	\$3.18	\$3.56	\$2.80
Pro forma combined:						
Exchange of .4918 shares of INTERCO for 1 of United	2.65	2.69	2.84	3.17	3.56	2.79
Exchange of .3883 shares of INTERCO for 1 of United	2.66	2.70	2.84	3.18	3.57	2.80
Primary:						
Historical	3.12	3.13	3.30	3.46	3.72	2.88
Pro forma combined:						
Exchange of .4918 shares of INTERCO for 1 of United	3.10	3.11	3.27	3.44	3.71	2.88
Exchange of .3883 shares of INTERCO for 1 of United	<u>3.11</u>	<u>3.12</u>	<u>3.28</u>	<u>3.45</u>	<u>3.73</u>	<u>2.89</u>

	Year Ended January 31,					Nine Months Ended October 31, 1973
	1969	1970	1971	1972	1973	
United:						
Historical	\$.92	\$.97	\$.79	\$1.04	\$1.69	\$1.28
Pro forma combined (equivalent to 1 share of United):						
Exchange of .4918 shares of INTERCO for 1 of United						
Fully diluted	1.30	1.32	1.40	1.56	1.75	1.37
Primary	1.52	1.53	1.61	1.69	1.83	1.42
Exchange of .3883 shares of INTERCO for 1 of United						
Fully diluted	1.03	1.05	1.10	1.23	1.39	1.09
Primary	<u>1.21</u>	<u>1.21</u>	<u>1.27</u>	<u>1.34</u>	<u>1.45</u>	<u>1.12</u>

Dividends per Common Share

For the Respective Periods Indicated Above

INTERCO — historical	\$.90	\$1.00	\$1.10	\$1.20	\$1.24	\$.96
United:						
Historical157	.222	.286	.286	.305	.275
Pro forma combined (equivalent to 1 share of United):						
Exchange of .4918 shares of INTERCO for 1 of United44	.49	.54	.59	.61	.47
Exchange of .3883 shares of INTERCO for 1 of United	<u>.35</u>	<u>.39</u>	<u>.43</u>	<u>.47</u>	<u>.48</u>	<u>.37</u>

Book Values per Common Share at August 31, 1973 *

INTERCO:	
Assuming liquidation of preferred stock	\$30.38
Assuming full conversion of preferred stock	30.46
Pro forma combined:	
Exchange of .4918 shares of INTERCO for 1 of United:	
Assuming liquidation of preferred stock	30.25
Assuming full conversion of preferred stock	30.33
Exchange of .3883 shares of INTERCO for 1 of United:	
Assuming liquidation of preferred stock	30.34
Assuming full conversion of preferred stock	30.42
United:	
Historical (October 31, 1973	10.24
Pro forma combined (equivalent to 1 share of United)	
Exchange of .4918 shares of INTERCO for 1 of United:	
Assuming liquidation of INTERCO preferred stock	14.88
Assuming full conversion of INTERCO preferred stock	14.92
Exchange of .3883 shares of INTERCO for 1 of United:	
Assuming liquidation of INTERCO preferred stock	11.78
Assuming full conversion of INTERCO preferred stock	11.81

*In accordance with the terms of an Agreement and Plan of Reorganization dated November 13, 1973 and an Agreement and Plan of Merger dated November 13, 1973, Devon Apparel, Inc. of Philadelphia,

Pennsylvania is scheduled to be merged into a subsidiary of INTERCO on an exchange of stock basis on January 11, 1974. See Note 2 of Notes to Consolidated Financial Statements of INTERCO INCORPORATED and subsidiaries. The effect of the proposed merger on pro forma earnings and book value is not material.

Future Operations of United

Messrs. Bert A. Hyman and Samuel Kane, who are presently executives of United, are expected to continue in such positions pursuant to employment agreements to be delivered on or before the Closing Date. The agreement with Bert A. Hyman is for a five (5) year period at an annual compensation of Seventy-five Thousand Dollars (\$75,000.00) with right of Bert A. Hyman to renew same for an additional period(s) up to a total of five (5) years based upon the profit performance of United. Samuel Kane's agreement is for a five (5) year period at an annual compensation of Seventy-five Thousand Dollars (\$75,000.00). See DESCRIPTION OF AGREEMENTS—FUTURE OPERATIONS OF UNITED.

Tradeability of INTERCO Shares

The INTERCO shares issued to holders of United shares at the time the merger becomes effective will be saleable by the recipients without further registration under the Securities Act of 1933 (the "Act"), except that "affiliates" of United will be deemed "underwriters" (as those terms are defined under the Act) of the INTERCO shares to be received by them in the merger unless their sales of INTERCO shares are within the volume and manner of sale limitations incorporated in Rule 145(d) under the Act. "Affiliates" of United in the proposed transaction will be Harry A. Hyman, Bert A. Hyman and Samuel Kane and their wives. INTERCO has agreed to undertake a Registration for the "Affiliates" to cover the shares received in the transaction. See Paragraph 9.2 of Article IX of Appendix A. Additionally the "Affiliates" will not sell or in any other way reduce their risk relative to the common shares received until such time as financial results covering at least 30 days of post merger operations have been published.

PROXY STATEMENT

This Proxy Statement is furnished to shareholders of United Shirt Distributors, Inc. ("United") in connection with the solicitation of proxies by the management of United for the Special Meeting of Shareholders of United to be held on January 30, 1974, or any postponements or adjournments. The approximate date on which this Proxy Statement and form of Proxy will be first sent or given to shareholders is December 28, 1973. There will be presented at the meeting a proposal to approve and adopt an Agreement and Plan of Reorganization ("Reorganization Agreement") among INTERCO INCORPORATED ("INTERCO"), INTERCO's wholly-owned subsidiary, CA Incorporated ("CA Inc."), United and certain Warranting shareholders of United, and a related Agreement of Merger ("Merger Agreement") between CA Inc. and United. A copy of the Reorganization Agreement is attached to this Proxy Statement as Appendix A and a copy of the Merger Agreement is included in Appendix A as Exhibit A to the Reorganization Agreement, however, the other exhibits to the Reorganization Agreement are excluded. The Reorganization Agreement and the Merger Agreement are sometimes collectively referred to as Agreements.

INTERCO and CA Inc. are Delaware corporations with their principal place of business at Ten Broadway, St. Louis, Missouri 63102. Their telephone number is (314) 231-1100.

United is a Delaware corporation with its principal office at 1927 Michigan Avenue, Detroit, Michigan 48216. Its telephone number is (313) 962-9895.

Terms of the Reorganization

The proposed transaction was originally announced on August 14, 1973 and a Proxy Statement was mailed to United's Shareholders on October 30, 1973, soliciting proxies for a Special Meeting of Shareholders' on November 29, 1973. On November 19, 1973 the terms of the transaction were amended, necessitating the furnishing of this Proxy Statement with another solicitation of proxies and the postponing of the aforesaid Special Meeting to January 30, 1974.

The Reorganization Agreement provides that United will be merged with and into CA Inc., a corporation created for this purpose. CA Inc. will be the surviving corporation and will be a wholly-owned subsidiary of INTERCO. Immediately after the merger, CA Inc. will change its name to United Shirt Distributors, Inc. As a part of the merger, the United Common Stock will be exchanged for shares of Common Stock of INTERCO. The shares of United Common Stock will be converted to shares of INTERCO Common Stock based upon a formula related to the "Market Price" of INTERCO Common Stock. The Market Price will be the mean average per share closing price of INTERCO Common Stock on the New York Stock Exchange for the ten (10) trading days preceding the calendar week in which the vote of the United shareholders is taken. The total number of INTERCO shares to be issued will be determined by dividing \$4,280,000 by the Market Price, which number of INTERCO shares will be exchanged for the total number of outstanding shares of United Common Stock. The total number of shares of INTERCO Common Stock to be issued will not be less than 112,652 shares nor more than 142,667 shares, regardless of the results of the formula. The per share exchange ratio will be determined by dividing the total number of outstanding shares of United Common Stock into the total number of shares of INTERCO Common Stock to be issued. For example, if the Market Price of INTERCO Common Stock is \$34.00 and the total outstanding shares of United Common Stock are 290,078, then 125,882 shares of INTERCO Common Stock will be issued on the basis of one share of INTERCO Common Stock for each 2.3043 shares of United Common Stock (0.4339 shares of INTERCO Common Stock for each share of United Common Stock). In the event the Market Price is \$30.00 or less, resulting in the maximum 142,667 shares of INTERCO Common Stock to be issued, the exchange ratio shall be one share of INTERCO Common Stock for each 2.0332 shares of United Common Stock. Likewise, in the event the Market Price is \$38.00 or more, resulting in the minimum 112,652 shares of INTERCO Common Stock to be issued, the exchange ratio shall be one share of INTERCO Common Stock for each 2.5750 shares of United Common Stock. There were, as of December 26, 1973, 290,078 shares of United Common Stock outstanding. See DESCRIPTION OF AGREEMENTS.

Reasons for the Reorganization

The Boards of Directors of United and INTERCO, after careful consideration, have concluded that the proposed transaction will be advantageous to both companies and to their shareholders and have unanimously approved the Agreement.

United's directors are of the opinion that the proposed reorganization will improve the long-range prospects of the business conducted through its association with a national retailing and manufactur-

ing company. The financial and professional resources of INTERCO will assist in expanding the operations of United and aid in the development of new operations. In addition, United shareholders will receive a listed security with greater investor recognition and marketability.

From INTERCO's standpoint the transaction will permit INTERCO to enter a new geographical location and contribute to the expansion of its men's specialty retail operations.

Voting of Proxies

As of December 26, 1973, the record date, United had outstanding 290,078 common shares, each entitled to one vote. Only shareholders of record at the close of business on December 26, 1973 are entitled to notice of and to vote at the meeting.

Shares represented by properly executed management proxies will be voted. If a shareholder has specified how his shares are to be voted, they will be voted in accordance with such specifications. It is intended that shares represented by management proxies not marked to the contrary will be voted in favor of the adoption of the Agreements.

Proxies may be revoked at any time before a vote is taken by giving notice to United in writing or in open meeting.

The cost of solicitation of proxies is to be borne by United. In addition to the solicitation of proxies by mail, proxies may be solicited personally or by telephone by officers and regular employees of United. Brokerage houses, nominees, fiduciaries, and other custodians will be requested to forward soliciting material to the beneficial owners of shares and will be reimbursed for their expenses. INTERCO will pay the cost of registration under the Securities Act of 1933, including the cost of printing this Proxy Statement.

The enclosed Proxy confers discretionary authority with respect to any and all of the following matters that may come before the meeting: (1) matters which United management does not know, a reasonable time before the Proxy solicitation, are to be presented at the meeting; (2) approval of the minutes of a prior meeting of shareholders, if such approval does not amount to ratification of the action taken at that meeting; (3) matters incident to the conduct of the meeting. In connection with such matters, the persons named in the enclosed Proxy will vote in accordance with their best judgment.

So far as United knows, there is no business to come before the meeting other than the proposed reorganization. If further business is properly brought before the meeting, the persons named in the Proxy intend to vote or act according to their best judgment on such business on behalf of the shareholders they represent.

Shareholder Quorum and Approval

The presence in person or by proxy of United shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast on a particular matter constitutes a quorum for the purpose of considering such matters. Each outstanding share of United Common Stock of record as of the close of business on December 26, 1973 will entitle the holder to one vote on all business of the meeting.

The proposed reorganization must receive the affirmative vote of the holders of the majority of the outstanding shares of United Common Stock. Under Delaware corporation law the Agreement is not required to be submitted to, or approved by, the stockholders of INTERCO, but may be affected by the approval of the Board of Directors or the Executive Committee of the Board of Directors of INTERCO, which approval has been given. The Executive Committee of the Board of Directors unanimously approved the transaction on November 19, 1973.

The Board of Directors of United recommends that the shareholders vote in favor of adoption of the proposed reorganization.

Principal Shareholder of United

On December 26, 1973, Harry A. Hyman and his wife Martha, between them were the beneficial owners of 59,267 shares of United's \$1.00 par value Common Stock; Bert A. Hyman and his wife Mona L., between them were the beneficial owners of 55,833 such shares of United's Common

Stock; and Samuel Kane and his wife Martha L., between them were the beneficial owners of 42,848 such shares of United Common Stock.

Finders Fee

United has agreed to pay duPont Walston Incorporated, a financial service company, a fee of \$132,000 for services rendered in connection with the proposed merger. The fee is conditioned on effectiveness of the merger.

Furnishings of Proxy Material

United and INTERCO have each supplied the material relating to itself which is contained in this Proxy Statement.

DESCRIPTION OF AGREEMENTS

The following is a summary of certain material provisions of the Agreements. A copy of the Reorganization Agreement (including the Merger Agreement but excluding the other exhibits and schedules thereto) is attached as Appendix A hereto, and reference is made to such copy for a complete statement of the provisions of the Agreements. The aforesaid exhibits have been filed with the Securities and Exchange Commission and may be inspected and copied at prescribed rates at the Commission's principal office at 500 North Capitol Street, N. W., Washington, D. C.

1. INTERCO will form a new wholly-owned subsidiary, CA Inc., for the purpose of merging United with and into CA Inc., which shall be the surviving corporation. After the merger, the name of CA Inc. will be changed to United Shirt Distributors, Inc. As a result of this merger, INTERCO will become the sole shareholder of United. (See Section 1.1 of the Reorganization Agreement and Section 1.1 of the Merger Agreement.)

2. All outstanding shares of United Common Stock will be converted into shares of INTERCO Common Stock based upon the formula set forth in Section 1.1 of the Reorganization Agreement.

3. If all of the conditions to the Closing of the transaction have been satisfied, the Closing will take place on January 31, 1974. If all of such conditions have not been satisfied by that date, the Closing will take place as soon thereafter as such conditions have been satisfied, but not later than February 28, 1974 without the consent of the Boards of Directors of United and INTERCO. The actual date of Closing is referred to herein as the Closing Date. The Reorganization Agreement may be terminated by mutual consent of the Boards of Directors of INTERCO and United whether before or after the vote of the United shareholders. (See Sections 1.3 and 11.3 of the Reorganization Agreement.)

4. Prior to the Closing Date United will conduct its operations according to its ordinary course of business and, without the prior written consent of INTERCO, will not, other than in the ordinary course of business, incur any indebtedness, acquire or dispose of any assets, enter into any contracts to be performed in more than 60 days, increase the compensation of its executives, or enter into any new employee benefit plan or increase the benefits under any such existing plan. In addition, United will not declare or pay any dividend on its Common Stock other than a regular dividend if its regular dividend date falls within the period prior to the Closing Date or make any payment or distribution to shareholders or acquire for value any of their outstanding Common Stock. (See Article V of the Reorganization Agreement.)

5. It is a condition of each party's obligation under the Reorganization Agreement (see Appendix A hereto) that (a) the representations and warranties of the other party made in the Reorganization Agreement be true when made and at the Closing Date; (b) no material adverse change shall have taken place in the status of United and/or INTERCO which would make the merger inadvisable or impracticable in the opinion of either Board of Directors; (c) the parties shall have furnished to each other certain certificates, and opinions of counsel referred to in Articles VII and X of the Reorganization Agreement; (d) the INTERCO Common Stock to be issued and delivered to United shall have been approved for listing on the New York Stock Exchange, application for which listing was made on December 28, 1973; (e) no action shall be threatened or pending to prohibit the transaction or

obtain damages or other relief in connection with the Agreements; (f) dissenter's rights shall not have been exercised as to more than 5% of United shares; (g) the Agreements and the transaction contemplated thereby shall have been approved by the shareholders of United; and (h) mutually satisfactory employment agreements shall have been entered into between CA Inc. and Messrs. Bert A. Hyman and Samuel Kane. Bert A. Hyman and Samuel Kane have agreed to indemnify INTERCO and/or its subsidiaries for any substantial loss arising out of a breach of certain representations and warranties, as set forth in Articles II and III of the Reorganization Agreement. (See Articles III, VII and XI of the Reorganization Agreement.)

There are certain further conditions to INTERCO's obligations under the Agreements, principally that the merger of CA Inc. and United shall have been approved as a "pooling of interests" for accounting purposes of INTERCO by its independent public accountants, and the New York Stock Exchange shall have accepted such accounting treatment. In addition, it is a condition to United's obligations under the Agreements that an opinion shall have been received from the law firm of Karbel, Eiges, Rothstein and Karbel that the transaction contemplated by the Agreement constitutes a tax-free reorganization under Section 368(a)(1)(A) as qualified by Section 368(a)(2)(D) of the Internal Revenue Code of 1954, as amended. (See Articles VII and XI of the Reorganization Agreement.)

Any of these conditions or any other provisions of the Agreements may be waived or amended by mutual consent of the Boards of Directors of INTERCO and United, whether before or after the vote of the United shareholders, provided that any waiver or amendment effected after the vote of the United shareholders shall not, in the judgment of the United Board of Directors, affect materially and adversely the benefits of United's shareholders intended under the Agreements, unless such waiver or amendment is subsequently approved by the United shareholders. Any waiver or amendment of the provisions of the Reorganization Agreement also requires the approval of the warranting shareholders, Bert A. Hyman and Samuel Kane, as set forth in Section 12.3 of the Reorganization Agreement. (See Section 12.3 of the Reorganization Agreement and Section 5.2 of the Merger Agreement.)

Federal Tax Consequences

United has received an opinion from the law firm of Karbel, Eiges, Rothstein & Karbel to the effect that the transaction constitutes a tax-free reorganization under Section 368(a)(1)(A) as qualified by Section 368(a)(2)(D) of the Internal Revenue Code and that no taxable gain or loss will be recognized for Federal income tax purposes to United or its shareholders (except upon sale of fractional interests and except as to shares of dissenters); and that the basis of and holding period for the INTERCO Common Stock received by United's shareholders in the transaction will be the same as the basis and holding applicable to their Common Shares of United.

Manner of Converting United Shares – Treatment of Fractional Share Interests – Dividends

The stock transfer books of United will be closed on the Closing Date, and the holders of record of United Common Shares on that date will be the shareholders entitled to convert and exchange their shares for shares of INTERCO Common Stock. Until surrendered to Mercantile Trust Company N. A., as Conversion Agent, for exchange, certificates evidencing United's Common Shares will be deemed to evidence shares of INTERCO Common Stock on the exchange ratio basis. As promptly as practicable after the Closing Date United will notify its former shareholders to surrender their United share certificates to the Conversion Agent in exchange for INTERCO stock certificates. Fractional shares of INTERCO Common Stock will not be issued. In lieu of the issuance of fractional shares of INTERCO Common Stock, the Conversion Agent shall pay to each former shareholder of United otherwise entitled to a fractional share of INTERCO Common Stock an amount in cash equal to the fair market value of any such fractional share of INTERCO Common Stock to which such shareholder would be entitled but for this provision. For purposes of such payment the fair market value shall be the same fraction of the last sale price of the INTERCO Common Stock on the New York Stock Exchange on the last day prior to the Closing Date on which any shares of INTERCO Common Stock were sold on such Exchange. (See Section 1.2 of the Reorganization Agreement and Section 3.3 of the Merger Agreement.)

Until such United certificates are surrendered dividends declared on the INTERCO Common Stock will be held by the Conversion Agent. Upon surrender of such certificates, however, any withheld dividends will be paid, without interest. (See Section 1.2 of the Reorganization Agreement and Section 3.3 of the Merger Agreement.)

Future Operations of United

INTERCO presently intends to continue the operations of United as a subsidiary of INTERCO substantially as its operations are now being conducted, and with the continued employment of the present United personnel, assuming adequate individual performance. However, future operations may indicate the advisability of other arrangements. Messrs. Bert A. Hyman and Samuel Kane, who are presently executives of United, are expected to continue in such positions pursuant to employment agreements to be delivered on or before the Closing Date. The agreement with Bert A. Hyman is for a five (5) year period at an annual compensation of Seventy-five Thousand Dollars (\$75,000.00) with right of Bert A. Hyman to renew same for an additional period(s) up to a total of five (5) years based upon the profit performance of United. Samuel Kane's agreement is for a five (5) year period at an annual compensation of Seventy-five Thousand Dollars (\$75,000.00).

The Board of Directors of United after the merger will consist of Bert A. Hyman and Samuel Kane, who are presently directors and officers of United, and Maurice R. Chambers, John K. Riedy and William L. Edwards, Jr., who are directors and officers of INTERCO.

CAPITALIZATION

The following table sets forth the capitalization of INTERCO and its subsidiaries at August 31, 1973 and United at October 31, 1973 and the pro forma combined capitalization after giving effect to the consummation of the proposed merger.

	Thousands of Dollars, Except Share Data		
	INTERCO	United	Pro Forma Combined
Long-Term Debt(a):			
4½% promissory installment notes, payable \$1,875,000 annually thru 1989 and balance in 1990	\$44,375	\$ —	\$44,375
6% promissory installment notes, payable \$750,000 annually, 1974-1975, \$1,250,000 annually, 1976-1979, and balance in 1980	8,625	—	8,625
4¾% obligation under long-term lease, payable in annual installments increasing from \$260,000 in 1974 to \$565,000 in 1991	7,165	—	7,165
Other debt at 2½% to 9¼% interest rates, payable in varying amounts through 1993	2,678	—	2,678
Total long-term debt	<u>\$62,843</u>	<u>\$ —</u>	<u>\$62,843</u>
Preferred Stock — Authorized preferred stock consists of 577,060 shares of first preferred (Series B) and 1,000,000 shares of second preferred (Series C) without par value. Such stock is summarized as follows:			
Series B — \$2.10 cumulative, with stated and involuntary liquidating value of \$40 per share; callable beginning in 1975 at \$42.10, decreasing to \$40.00 in 1985; convertible into 2 shares of common stock	14,971 Shs.	—	14,971 Shs.
Series C — \$5.25 cumulative, with stated and involuntary liquidating value of \$100 per share; callable beginning in 1975 at \$105.25, decreasing to \$100.00 in 1985; convertible into 3.0534 shares of common stock	158,359 Shs.	—	158,359 Shs.
Common Stock:			
\$7.50 stated value, 30,000,000 shares authorized	10,045,941 Shs.(b)	—	10,188,608 Shs. (b) (c)
\$1.00 par value, 350,000 shares authorized	—	290,078 Shs.	—

(a) Includes portions due within one year. For additional information concerning long-term debt see Note 3 of Notes to Consolidated Financial Statements of INTERCO INCORPORATED and subsidiaries.

(b) Excludes 888,052 shares reserved for issuance on exercise of stock options, issuance of contingent shares and conversion of preferred stock. See Note 5 of Notes to Consolidated Financial Statements of INTERCO INCORPORATED and subsidiaries.

(c) Assumes the issuance of 142,667 shares (the maximum number of shares issuable) pursuant to the consummation of the Reorganization Agreement.

Reference is made to Note 6 to Consolidated Financial Statements of INTERCO INCORPORATED and subsidiaries and Note 4 to Financial Statements of United Shirt Distributors, Inc. for information with respect to obligations under long-term leases of real property.

INTERCO INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

The following consolidated statement of earnings of INTERCO INCORPORATED and subsidiaries, so far as it relates to the five years ended November 30, 1972 and the three months ended February 28, 1973, has been examined by Peat, Marwick, Mitchell & Co., independent certified public accountants, whose report thereon appears elsewhere herein. With respect to the figures for the six months ended August 31, 1972 and 1973, which are unaudited, in the opinion of management all adjustments (none of which were other than normal recurring accruals) necessary to a fair statement of the results of operations for such interim periods have been included. The results for the six months ended August 31, 1973, are not necessarily indicative of the results to be expected for the full year. This statement should be read in conjunction with the other financial statements of INTERCO INCORPORATED and subsidiaries and related notes included elsewhere herein.

Thousands of Dollars, Except Share Data

	Year Ended November 30,					Three Months Ended February 28, 1973	Six Months Ended August 31,	
	1968	1969	1970	1971	1972		1972 (Un-audited)	1973 (Un-audited)
Sales and other income:								
Net sales (Note A)	\$695,030	\$736,125	\$807,081	\$883,388	\$981,121	\$252,525	\$488,712	\$525,214
Other income, net	5,031	6,084	6,859	7,500	8,009	1,979	3,931	4,548
	<u>700,061</u>	<u>742,209</u>	<u>813,940</u>	<u>890,888</u>	<u>989,130</u>	<u>254,504</u>	<u>492,643</u>	<u>529,762</u>
Deductions:								
Cost of sales	491,372	514,557	565,624	619,931	693,141	173,841	349,355	375,602
Selling, general and administrative expenses	154,291	169,623	184,752	202,290	218,094	58,263	108,617	115,874
Interest expense	4,901	5,606	6,590	5,315	4,784	929	2,456	2,419
Minority interests	493	390	347	322	366	113	168	205
	<u>651,057</u>	<u>690,176</u>	<u>757,313</u>	<u>827,858</u>	<u>916,385</u>	<u>233,146</u>	<u>460,596</u>	<u>494,100</u>
Earnings before income taxes	49,004	52,033	56,627	63,030	72,745	21,358	32,047	35,662
Income taxes (Note F)	22,752	25,435	28,147	30,165	35,048	10,225	15,526	17,050
Net earnings (Note A)	26,252	26,598	28,480	32,865	37,697	11,133	16,521	18,612
Preferred stock dividend requirements (Note B)	2,661	2,623	2,580	1,627	1,031	220	513	436
Net earnings applicable to common stock	<u>\$ 23,591</u>	<u>\$ 23,975</u>	<u>\$ 25,900</u>	<u>\$ 31,238</u>	<u>\$ 36,666</u>	<u>\$ 10,913</u>	<u>\$ 16,008</u>	<u>\$ 18,176</u>
Average common and common equivalent shares outstanding (Notes C and D):								
For fully diluted earnings per share	9,863,141	9,859,483	9,986,315	10,332,219	10,578,822	10,625,846	10,585,998	10,639,141
For primary earnings per share	7,572,431	7,660,969	7,853,427	9,032,077	9,863,262	10,090,728	9,881,051	10,089,670
Earnings per common share (Notes A and D):								
Fully diluted	\$2.66	\$2.70	\$2.85	\$3.18	\$3.56	\$1.05	\$1.56	\$1.75
Primary	3.12	3.13	3.30	3.46	3.72	1.08	1.62	1.80
Cash dividends per share of common stock	<u>.90</u>	<u>1.00</u>	<u>1.10</u>	<u>1.20</u>	<u>1.24</u>	<u>.32</u>	<u>.62</u>	<u>.64</u>

See accompanying notes.

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED STATEMENT OF EARNINGS

- (A) Net sales, net earnings, and earnings per common share as originally reported to stockholders are reconciled to amounts in the Consolidated Statement of Earnings in the following tabulation:

	Thousands of Dollars, Except Share Data				
	Year Ended November 30,				Six Months Ended
	1968	1969	1970	1971	August 31, 1972 (Unaudited)
Net sales:					
Originally reported	\$669,456	\$706,098	\$777,886	\$847,393	\$486,775
Poolings of interests (Note E)	25,574	30,027	29,195	35,995	1,937
As restated	<u>\$695,030</u>	<u>\$736,125</u>	<u>\$807,081</u>	<u>\$883,388</u>	<u>\$488,712</u>
Net earnings:					
Originally reported	\$ 25,088	\$ 25,418	\$ 27,569	\$ 31,495	\$ 16,439
Poolings of interests (Note E)	1,164	1,180	911	1,370	82
As restated	<u>\$ 26,252</u>	<u>\$ 26,598</u>	<u>\$ 28,480</u>	<u>\$ 32,865</u>	<u>\$ 16,521</u>
Fully diluted earnings per common share (Note D):					
Originally reported	\$2.65	\$2.69	\$2.85	\$3.14	\$1.56
Poolings of interests	.01	.01	—	.04	—
As restated	<u>\$2.66</u>	<u>\$2.70</u>	<u>\$2.85</u>	<u>\$3.18</u>	<u>\$1.56</u>
Primary earnings per common share (Note D):					
Originally reported	\$3.12	\$3.14	\$3.31	\$3.42	\$1.62
Poolings of interests	—	(.01)	(.01)	.04	—
As restated	<u>\$3.12</u>	<u>\$3.13</u>	<u>\$3.30</u>	<u>\$3.46</u>	<u>\$1.62</u>

- (B) Preferred stock dividend requirements are provided based on outstanding preferred shares at the end of each month. Preferred shares issued during 1968 in a business combination accounted for as a pooling of interests have been included as if the shares were outstanding as of the beginning of the year.
- (C) The average number of common and common equivalent shares outstanding during each period includes the equivalent of the average number of common shares outstanding of companies acquired in business combinations accounted for as poolings of interests and gives effect to the two-for-one stock split in March, 1968.
- (D) Fully diluted earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the periods, plus those common shares which would have been issued if conversion of all preferred stock had taken place at the beginning of each period. Common stock issuances based on profit performance and common stock options, the exercise of which would result in dilution of earnings per share, have been considered as the equivalent of common stock.
- Primary earnings per share are based on those shares included in the fully diluted earnings per share calculations, except that conversion of preferred stock has not been assumed. Net earnings for this computation were reduced by preferred stock dividend requirements.
- (E) Big Yank Corporation was acquired in 1972 and has been accounted for as a pooling of interests in the accompanying consolidated financial statements. Prior to December 1, 1969, the predecessor of Big Yank Corporation operated as a division of another company and the financial statements of INTERCO have been restated to include the operations of Big Yank for 1970 and 1971.
- (F) The following summarizes the income taxes for the respective periods presented. Investment tax credits are reflected as a reduction of Federal income taxes for the period in which qualified property is placed in service. Deferred compensation, depreciation, profit on installment sales and certain reserves are recognized for income tax purposes in years other than the years in which they are reported in the financial statements. Provision has been made for resulting deferred taxes and future tax benefits. In reported operating results prior to February 28, 1973, state and city income taxes were classified as operating expenses. It is the company's intent that the undistributed earnings of subsidiaries will be reinvested in the subsidiaries. Accordingly, no provision has been made for income taxes on such undistributed earnings.

	Thousands of Dollars							
	Year Ended November 30,					Three Months Ended February 28,	Six Months Ended August 31,	
	1968	1969	1970	1971	1972	1973	1972 (Un-audited)	1973 (Un-audited)
Current:								
Federal	\$21,143	\$22,930	\$25,387	\$27,851	\$31,650	\$10,645	\$13,824	\$14,946
State and city	842	1,061	1,787	1,755	2,760	959	1,239	1,386
Foreign (principally Canadian)	1,464	1,614	1,288	1,523	1,595	257	675	820
Investment tax credits, net	(605)	(275)	130	(255)	(472)	(105)	(160)	(272)
	<u>22,844</u>	<u>25,330</u>	<u>28,592</u>	<u>30,874</u>	<u>35,533</u>	<u>11,756</u>	<u>15,578</u>	<u>16,880</u>
Deferred	(92)	105	(445)	(709)	(485)	(1,531)	(52)	170
	<u>\$22,752</u>	<u>\$25,435</u>	<u>\$28,147</u>	<u>\$30,165</u>	<u>\$35,048</u>	<u>\$10,225</u>	<u>\$15,526</u>	<u>\$17,050</u>

- (G) Depreciation expense included in costs and expenses amounted to approximately \$7,128,000, \$8,045,000, \$8,727,000, \$9,495,000 and \$9,912,000 for the years 1968 through 1972, respectively; \$2,581,000 for the three months ended February 28, 1973; and \$5,151,000 and \$5,400,000 for the six months ended August 31, 1972 and 1973, respectively.

UNITED SHIRT DISTRIBUTORS, INC.

STATEMENT OF INCOME

The following statement, insofar as it relates to the five years ended January 31, 1973, has been examined by Price Waterhouse & Co., independent accountants, whose report thereon appears elsewhere in this Proxy Statement. In the opinion of the Company, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the unaudited interim periods have been included. The statement should be read in conjunction with the other financial statements and notes thereto of United Shirt Distributors, Inc. included elsewhere in this Proxy Statement.

	Year Ended January 31,					Nine Months Ended October 31,	
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1972</u>	<u>1973</u>
						(Unaudited)	
Net sales	\$5,899,776	\$6,547,119	\$6,452,329	\$7,429,302	\$8,751,100	\$5,517,607	\$6,950,288
Cost of merchandise sold (including buying and occupancy costs) (Note 2)	3,717,851	4,161,667	4,102,131	4,735,430	5,481,140	3,529,749	4,348,649
Selling, general and administrative expenses	1,603,253	1,772,588	1,876,360	2,073,002	2,260,847	1,548,337	1,825,301
	5,321,104	5,934,255	5,978,491	6,808,432	7,741,987	5,078,086	6,173,950
Income before federal and state income taxes	578,672	612,864	473,838	620,870	1,009,113	439,521	776,338
Income taxes:							
Federal (Note 1)	285,000	300,000	220,000	277,000	440,000	201,000	343,000
State	23,000	32,000	24,000	42,000	79,000	34,000	61,000
	308,000	332,000	244,000	319,000	519,000	235,000	404,000
Net income	\$ 270,672	\$ 280,864	\$ 229,838	\$ 301,870	\$ 490,113	\$ 204,521	\$ 372,338
Per share of common stock:							
Net income (Note A)	\$.92	\$.97	\$.79	\$1.04	\$1.69	\$.71	\$1.28
Cash dividends (Note B)	\$.157	\$.222	\$.286	\$.286	\$.305	\$.218	\$.275

NOTES:

- Net income per share is based on the weighted average number of shares of common stock outstanding during each period, adjusted for the three-for-one stock split on December 5, 1969 and the 5% stock dividend on July 10, 1972. The number of shares used in the computation for each period are as follows: 1969 - 292,950; 1970 - 1973 - 290,078.
- Cash dividends per share are based on the historical dividends declared, adjusted for the three-for-one stock split on December 5, 1969 and the 5% stock dividend on July 10, 1972.
- Numerical note references refer to "Notes to Financial Statements" included elsewhere in this Proxy Statement.

Sales and earnings for the year ended January 31, 1971 were adversely affected by the General Motors strike in the fall of 1970.

PRO FORMA COMBINED STATEMENT OF EARNINGS

(Unaudited)

The following pro forma combined statement of earnings, prepared on a pooling of interests basis, presents the arithmetical combination of the consolidated statement of earnings of INTERCO INCORPORATED and subsidiaries for its five years ended November 30, 1972, and nine months ended August 31, 1973, with the statement of income of United Shirt Distributors, Inc. for its five years ended January 31, 1973, and nine months ended October 31, 1973. Intercompany sales, although not material, have been eliminated. The financial statements of the two companies, including the notes thereto appearing elsewhere herein, should be read in conjunction with this statement.

	Thousands of Dollars					Nine Months Ended 1973
	1968	1969	1970	1971	1972	
Sales and other income:						
Net sales	\$700,930	\$742,672	\$813,533	\$890,769	\$989,730	\$784,476
Other income, net	5,031	6,084	6,859	7,500	8,009	6,527
	<u>705,961</u>	<u>748,756</u>	<u>820,392</u>	<u>898,269</u>	<u>997,739</u>	<u>791,003</u>
Deductions:						
Cost of sales	495,090	518,719	569,726	624,618	698,480	553,579
Selling, general and administrative expenses	155,894	171,395	186,628	204,363	220,355	175,962
Interest expense	4,901	5,606	6,590	5,315	4,784	3,348
Minority interests	493	390	347	322	366	318
	<u>656,378</u>	<u>696,110</u>	<u>763,291</u>	<u>834,618</u>	<u>923,985</u>	<u>733,207</u>
Earnings before income taxes	49,583	52,646	57,101	63,651	73,754	57,796
Income taxes	23,060	25,767	28,391	30,484	35,567	27,679
Net earnings	26,523	26,879	28,710	33,167	38,187	30,117
Preferred stock dividend requirements	2,661	2,623	2,580	1,627	1,031	656
Net earnings applicable to common stock	<u>\$ 23,862</u>	<u>\$ 24,256</u>	<u>\$ 26,130</u>	<u>\$ 31,540</u>	<u>\$ 37,156</u>	<u>\$ 29,461</u>

See "Comparative Per Share Data" for pro forma combined earnings per common share calculations.

PRO FORMA CONDENSED COMBINED BALANCE SHEET

(Unaudited)

The following balance sheet combines the consolidated balance sheet of INTERCO INCORPORATED and subsidiaries at August 31, 1973, and the balance sheet of United Shirt Distributors, Inc. at October 31, 1973, and gives effect to the assumptions set forth in the note below. The pro forma condensed combined balance sheet should be read in conjunction with the respective financial statements and notes thereto of the constituent companies included elsewhere herein.

	Thousands of Dollars			
	INTERCO	United	Pro Forma Adjustments Add (Deduct)	Pro Forma Combined
Assets				
Current assets:				
Cash and short-term investments	\$ 15,672	\$ 560	\$ —	\$ 16,232
Accounts receivable, net	147,223	3	(56)	147,170
Inventories	226,337	2,872	—	229,209
Prepaid expenses	2,625	58	—	2,683
Future income tax benefits	2,033	—	—	2,033
Total current assets	393,890	3,493	(56)	397,327
Other assets:				
Future income tax benefits	2,552	—	—	2,552
Excess of investment over equity in subsidiaries at acquisition, net of amortization	9,756	—	—	9,756
Sundry investments and other assets	5,928	57	—	5,985
Total other assets	18,236	57	—	18,293
Property, plant and equipment, net	88,766	523	—	89,289
	<u>\$500,892</u>	<u>\$4,073</u>	<u>\$(56)</u>	<u>\$504,909</u>
Liabilities and Stockholders' Equity				
Current liabilities:				
Notes payable	\$ 11,836	\$ —	\$ —	\$ 11,836
Current maturities of long-term debt	3,527	—	—	3,527
Accounts payable and accrued expenses	86,146	1,069	(56)	87,159
Income taxes	6,551	34	—	6,585
Total current liabilities	108,060	1,103	(56)	109,107
Other liabilities:				
Long-term debt, less current maturities	59,316	—	—	59,316
Deferred compensation and other deferred liabilities	9,005	—	—	9,005
Minority interests in subsidiaries	2,861	—	—	2,861
Total other liabilities	71,182	—	—	71,182
Stockholders' equity:				
Preferred stock	16,435	—	—	16,435
Common stock	75,344	290	780	76,414
Capital surplus	42,563	83	(780)	41,866
Retained earnings	187,308	2,597	—	189,905
Total stockholders' equity	321,650	2,970	—	324,620
	<u>\$500,892</u>	<u>\$4,073</u>	<u>\$(56)</u>	<u>\$504,909</u>

Note — The pro forma condensed combined balance sheet gives effect to the issuance of 142,667 shares of INTERCO common stock (the maximum number of shares issuable) and elimination of inter-company accounts in connection with the consummation of the proposed transaction as a pooling of interests.

BUSINESS AND PROPERTIES OF INTERCO

INTERCO INCORPORATED (the "Company") is a manufacturer of footwear and apparel and a merchandiser of various popular priced consumer goods through retail store groups. Until the early 1960's the Company was principally a manufacturer and distributor of footwear. Since that time INTERCO has diversified its operations into general retail merchandising and apparel manufacturing. In 1966, the Company changed its name from International Shoe Company to INTERCO INCORPORATED to reflect the changing character of its business. Sales of footwear represented approximately 70% of net sales reported in that year (before restatement for poolings of interests) as compared to 44% (after restatement for poolings of interests) in the fiscal year ended November 30, 1972 (*Note). The following table sets forth for each of the Company's three major areas of business, for the periods indicated, the approximate amounts and percentages of net sales and earnings before income taxes and corporate headquarters expense, including interest costs (all dollar amounts shown in thousands):

	Year Ended November 30											
	1968				1969				1970			
	Sales	%	Earnings	%	Sales	%	Earnings	%	Sales	%	Earnings	%
Apparel manufacturing	\$136,247	20%	\$ 8,512	16%	\$143,093	19%	\$ 9,596	17%	\$178,383	22%	\$13,468	21%
General retail merchandising	187,549	27	11,488	21	219,105	30	15,081	26	248,784	31	15,891	25
Footwear manufacturing and retailing	371,234	53	34,748	63	373,927	51	32,801	57	379,914	47	33,904	54
	<u>\$695,030</u>	<u>100%</u>	<u>\$54,748</u>	<u>100%</u>	<u>\$736,125</u>	<u>100%</u>	<u>\$57,478</u>	<u>100%</u>	<u>\$807,081</u>	<u>100%</u>	<u>\$63,263</u>	<u>100%</u>

	Year Ended November 30							
	1971				1972			
	Sales	%	Earnings	%	Sales	%	Earnings	%
Apparel manufacturing	\$194,768	22%	\$16,376	24%	\$221,155	23%	\$21,099	27%
General retail merchandising	299,053	34	16,438	24	327,487	33	15,777	21
Footwear manufacturing and retailing	389,567	44	36,237	52	432,479	44	40,511	52
	<u>\$883,388</u>	<u>100%</u>	<u>\$69,051</u>	<u>100%</u>	<u>\$981,121</u>	<u>100%</u>	<u>\$77,387</u>	<u>100%</u>

	Three Months Ended				Six Months Ended August 31							
	February 28, 1973				1972				1973			
	Sales	%	Earnings	%	Sales	%	Earnings	%	Sales	%	Earnings	%
Apparel manufacturing	\$ 46,353	18%	\$ 6,379	27%	\$115,915	24%	\$11,143	29%	\$118,286	23%	\$12,049	29%
General retail merchandising	88,357	35	6,081	25	161,382	33	7,533	20	174,126	33	10,076	25
Footwear manufacturing and retailing	117,815	47	11,390	48	211,415	43	19,127	51	232,802	44	18,572	46
	<u>\$252,525</u>	<u>100%</u>	<u>\$23,850</u>	<u>100%</u>	<u>\$488,712</u>	<u>100%</u>	<u>\$37,803</u>	<u>100%</u>	<u>\$525,214</u>	<u>100%</u>	<u>\$40,697</u>	<u>100%</u>

INTERCO is a major manufacturer and wholesaler of footwear in the United States, Canada and Australia. About 85% of the sales of shoes manufactured by INTERCO are currently made to independent retailers and department stores and the balance is made to the Company's retail stores. INTERCO's general retail merchandising business is conducted through 579 stores located throughout the United States, including junior and full-line department stores, home improvement and hardware supermarts, and convenience-discount retail outlets. Over half of the Company's apparel sales is of a broad line of men's and boys' casual wear which is sold to retailers under brand name. The balance consists principally of jeans and leisure clothing sold to the retail trade under private labels.

(*NOTE) On December 11, 1972 the fiscal year of INTERCO was changed so as to end on the last day of February instead of the last day of November.

The Company's various operations are conducted on a substantially autonomous basis supported by a corporate management staff located in St. Louis. Representatives of the major operating groups meet regularly with corporate management to control and plan the operations of the Company. These operations are described below in order of their group contribution to sales in the Company's last fiscal year: footwear manufacturing and retailing; general retail merchandising; and apparel manufacturing.

On January 11, 1974 Devon Apparel, Inc. ("Devon") of Philadelphia, Pennsylvania, an American Stock Exchange Company, is scheduled to be merged into a subsidiary of the Company on an exchange of stock basis. The exchange ratio will be based on the mean average New York Stock Exchange closing price of INTERCO Common Stock for fifteen (15) trading days preceding the calendar week in which the vote of the Devon shareholders is taken. Said average closing price will be divided into \$24,000,000 to determine the number of shares of INTERCO Common Stock to be issued, however, the maximum and minimum number of INTERCO shares will be 725,000 and 600,000, respectively. Based on 2,019,526 shares of Devon Common Stock outstanding as of November 26, 1973, the exchange ratio will be within the range of 2.785 to 3.365 shares of Devon Common Stock for each share of INTERCO Common Stock (0.3590 to 0.2971 shares of INTERCO for one (1) share of Devon). Devon designs, manufactures and sells women's coordinated apparel, principally sweaters, slacks, skirts, vests, jackets and shirts. These apparel items are produced primarily from synthetic fibers and are sold nationally under the "Devon" and "Lady Devon" labels and under retail customers' private labels. Devon's net sales in the fiscal year ended March 30, 1973, were \$40,799,602 and net income was \$2,861,709 as compared to \$30,791,519 in net sales and \$1,460,695 net income in the fiscal year ended March 31, 1972. Devon's net sales for the twenty-six weeks ended September 28, 1973, were \$25,435,825 and net income was \$1,928,998 as compared to \$20,159,878 in net sales and \$1,423,000 in net income for the twenty-six weeks ended September 29, 1972. At September 28, 1973, stockholders equity in Devon amounted to \$16,089,687 or \$7.97 per share.

Footwear Manufacturing and Retailing

INTERCO has been engaged in the manufacture and sale of footwear since 1911 and has been the leading producer, in terms of dollar sales, of footwear in the United States and Canada for many years. INTERCO manufactures, wholesales, and retails men's, women's and children's footwear in most major price categories. INTERCO also sells, at wholesale and retail, footwear manufactured by others. Approximately 15% of the sales of shoes manufactured by INTERCO are sold through its own retail outlets.

The major brand names under which the Company's shoes are sold are:

United States			Canada			Australia
Men's	Women's	Children's	Men's	Women's	Children's	Men's
Florsheim	Florsheim	Poll-Parrot	Florsheim	Florsheim	Savage	Julius Marlow
Hy-Test	Thayer McNeil	Red Goose	McHale	Thomas Wallace		Florsheim
Ambassador	Personality		Rand	Denny Stewart		
Rand	Miss Wonderful		Passport			
Winthrop	diVina					
Outdoorsman	Vitality					
Worthmore	Rambler					

Many of these brands are advertised in national magazines, and a substantial amount of advertising is done in local newspapers and on local television.

During recent years competition in the footwear business has become increasingly intense. Footwear manufactured abroad has captured a greater proportion of the domestic market, primarily as the result of manufacturing labor cost advantages. In addition, styling has become an increasingly important factor in the market for men's wear.

In order to compete effectively in this environment, INTERCO has made a concerted effort to eliminate low-margin lines, to improve efficiency by consolidating older multi-story operations into one-story plants, to eliminate certain supply plants when the materials and supplies could be purchased from others on a competitive basis, and to take advantage of the Company's ability to obtain footwear made to its specifications by a number of foreign manufacturers.

INTERCO operates 38 shoe manufacturing plants (an aggregate of 2,383,778 square feet), of which 31 are located in the United States, 5 in Canada and 2 in Australia.

Distribution is made principally from modern, centrally located distribution centers. The Company owns a majority of its footwear manufacturing plants and distribution centers.

The Company operates 886 retail shoe stores and leased department operations in the United States, Canada, and Mexico. Retail sales are made through stores operated under the Florsheim and Thayer McNeil names and under various regional and local names.

General Retail Merchandising

INTERCO began to diversify its operations into the general retail merchandising business in 1964 with the acquisition of a junior department store chain located in the Midwest. Through other acquisitions as well as its own store openings, general retail sales represented approximately 33% of reported net sales for INTERCO at February 28, 1973. These operations comprised 579 stores. The majority of these locations are leased, as is much of the warehouse and administrative space necessary to support these operations.

The general retail merchandising business includes a wide range of types of stores and goods sold, and for purposes of management control and operational convenience it is presently subdivided into major operating groups. Purchases by the general retail merchandising groups of footwear and apparel manufactured by INTERCO are not substantial.

P. N. Hirsch & Co. is the most diverse of these groups. Its operations range from relatively small junior department stores in smaller communities which sell apparel, shoes, yard goods and textiles in the medium and medium-low price ranges through medium-sized department stores to a few large, traditional department stores in metropolitan areas. P. N. Hirsch & Co. operates a total of 247 stores throughout the Midwest and Northwest.

Sam Shainberg Company operates 124 junior department stores under the Shainberg's name and self-service stores under the Kent's name in the Southeast. The Shainberg's stores average approximately 10,000 to 15,000 square feet in floor area and offer retail services, credit plans, and merchandise selected and priced to attract middle income families. The Kent's stores are smaller, cash-and-carry, self-service retail operations featuring soft goods merchandised to appeal to budget-conscious customers.

Central Hardware Company is comprised of 23 home improvement and hardware supermarts located in metropolitan areas in the Midwest and in California. These stores, which range in size from 50,000 to 70,000 square feet of floor area, are operated under the Central and Central Lin-Brook names and feature all types of hardware, lumber and other building supplies, major appliances, plumbing fixtures, sporting goods and toys. In addition, this group operates a wholesale hardware operation in the Midwest.

Eagle Family Discount Stores, Inc. operates 151 self-service units operated principally in Florida. These 6,000 to 8,000 square foot stores feature convenience items such as health and beauty aids, gardening, pool and household supplies, as well as inexpensive clothing, housewares, small appliances, hardware and toys. Approximately 30% of these items are merchandised under the Eagle name.

Fine's Men's Shops, Inc. and Standard Sportswear, Inc. operate 28 stores in Virginia, North Carolina, South Carolina, West Virginia and Pennsylvania. These stores primarily feature an extensive line of popular-priced men's sportswear and accessories.

Golde's Department Stores, Inc. operates 6 stores in Missouri and Illinois. These stores are classified as medium-sized department stores.

Apparel Manufacturing

In fiscal 1965 INTERCO entered the apparel manufacturing business through the acquisition of a private label manufacturer of work clothing. Since that time the Company has expanded its apparel manufacturing business through acquisition and internal growth to include a full range of branded sportswear for men and boys, as well as various private label sportswear items. Sales of manufactured apparel represented approximately 23% of INTERCO'S reported net sales at February 28, 1973.

Approximately one-half of the Company's sales of apparel is made under its Campus brand name. This brand, which is sold primarily to independent retail stores, department stores and a few popular priced chain retailers, consists of a broad line of slacks, sport and dress shirts, knit shirts, sweaters, suits, sportcoats, outerwear, swimwear, and shorts for men, young men and boys. The merchandising emphasis is to provide the retailer with these merchandise categories in the latest fashions at competitive prices. The Campus name is also promoted directly to consumers through national magazine advertising and retail store displays. Other apparel manufacturing companies include Cowden Manufacturing Company, The Biltwell Company, Inc. and the Big Yank Corporation.

About one-third of the Company's apparel sales are made to customers under their own brand names. The most significant of these sales are of jeans and leisure clothing to national retailing companies, three of which account for a majority of such sales. Most of the Company's apparel is manufactured by it in 39 plants operated in the United States, and the balance is manufactured by others to INTERCO's order. In addition, the Company operates 7 distribution centers for its apparel business. Most of the apparel facilities are leased.

Employees

INTERCO employs approximately 40,500 persons. It is a party to collective bargaining agreements with a number of unions and their respective locals. The largest numbers of employees covered by individual collective bargaining agreements are the approximately 4,025 employees covered by an agreement with the Boot & Shoe Workers Union and the approximately 9,075 employees covered by an agreement with the United Shoe Workers of America. Both of these agreements expire on September 30, 1974.

The Company contributes to various pension plans maintained by unions with which it has collective bargaining agreements and also contributes to pension plans which it maintains for certain of its salaried and hourly rated employees.

Competition

In the shoe and apparel businesses the Company is subject to substantial competition from foreign as well as domestic manufacturers. In addition, significant styling changes can affect the acceptance of certain of the Company's product categories. In the retailing business the Company competes with other retailing companies for store locations as well as for the procurement of merchandise.

Litigation

INTERCO is a defendant and may become a defendant in a number of pending or threatened legal proceedings in the ordinary course of business. In the opinion of Ronald L. Aylward, Vice-President and General Counsel of the Company, the ultimate liability, if any, of the Company from all such proceedings will not have a material adverse effect upon the financial position or results of operation of the Company.

INTERCO is subject to a cease and desist order issued by the Federal Trade Commission in 1959 and consented to by INTERCO pursuant to which the Company may not require any purchaser of its footwear to deal exclusively in its products.

Economic Stabilization Program

Federal regulations and guidelines have been issued under the Economic Stabilization Act of 1970, as amended, which affect firms' employee compensation, prices, dividend rates and profit margins applicable to domestic operations. The Company is a Price Category I firm under Phase IV, which phase began August 13, 1973 and continues in effect, and is subject to certain prenotification and reporting requirements. The regulations under Phase IV are similar to the regulations in effect during Phase II. Generally, under the Phase IV regulations, prices may be increased above base prices to reflect increases in allowable costs, reduced by assumed productivity gains, as long as the firm's current profit margin does not exceed its new base period profit margin. However, under Phase II allowable costs could be passed through in such a manner as to maintain the firm's profit margin, subject to the profit margin limitations referred to above but under the Phase IV regulations such costs may be passed through only on a dollar for dollar basis.

Energy Sources

The current energy situation has not had an immediate material affect on the Company. The long range impact of the energy situation is unknown.

MANAGEMENT OF INTERCO

Directors

The following table sets forth certain information with respect to the directors of INTERCO, all of whom were elected at the annual meeting of stockholders held on March 12, 1973 to hold office until the next annual meeting of stockholders or until their successors are elected and qualified.

Name	Position with Company or Other Principal Occupation	Year First Became a Director	Shares of Company Stock Beneficially Owned Directly or Indirectly on Dec. 18, 1973 (2)	
			Common	Preferred
David R. Calhoun.....	Chairman of the Board of St. Louis Union Trust Company and Chairman of the Executive Committee of First Union, Incorporated. On December 18, 1973, said trust company in various fiduciary capacities was the owner or holder of 896,631 shares of INTERCO INCORPORATED Common Stock, and 50 shares of INTERCO INCORPORATED Series B First Preferred Stock.	1959	1,000	
Maurice R. Chambers.....	Chairman of the Board and Chief Executive Officer(1)	1957	6,264	
Stanley M. Cohen.....	Executive Vice-President, also President of Central Hardware Company(1)	1967	17,699	
Webster L. Cowden.....	Vice-President, also Chairman of the Board of Cowden Manufacturing Company	1965	8,200	
William L. Edwards, Jr.....	Senior Executive Vice-President(1)	1970	3,225	
Joseph Fox.....	Vice-President, also President of International Retail Shoe Company (Retired June 1, 1973)	1963	8,600	
Richard P. Hamilton.....	Vice-President, also President of The Florsheim Shoe Company	1972	2,500	
Philip N. Hirsch.....	Vice-President, also President of P. N. Hirsch & Co.(1)	1964	18,361	
J. Lee Johnson.....	Retired(1)	1937	84,500	
Edwin S. Jones.....	Chairman of the Board of First National Bank in St. Louis	1970	200	
Samuel S. Kaufman.....	Vice-President, also Chairman of the Board of Campus Sweater & Sportswear Company	1968		18,036(3)
Donald E. Lasater.....	Chairman of the Board of Mercantile Bancorporation Inc. and Mercantile Trust Company National Association, St. Louis, Missouri. On December 18, 1973, said trust company in various fiduciary capacities was the owner or holder of 1,048,457 shares of INTERCO INCORPORATED Common Stock.(4)	1970	200	(Series C)
Norfleet H. Rand.....	Vice-Chairman of the Board and Treasurer(1)	1956	134,736	
John K. Riedy.....	President and Chief Operating Officer(1)	1967	10,125	
Edward J. Riley.....	Vice-President, also President of International Shoe Company(1)	1962	9,000	
Herbert Shainberg.....	Vice-President, also Chairman of the Board of Sam Shainberg Company	1967	67,872	

(1) Presently member of Executive Committee.

(2) The securities "beneficially owned" by the directors are determined in accordance with the definition of "beneficial ownership" as set forth in the releases of the Securities and Exchange Commission and, accordingly, may include securities owned by and for, among others, the wife and/or minor children of the director.

(3) The 18,036 shares of INTERCO INCORPORATED Series C Second Preferred Stock listed for Samuel S. Kaufman are 11.4% of the 158,359 shares of said series which are issued and outstanding.

(4) These shares are held in trustee and custodian accounts and represent approximately 10% of the Company's outstanding voting securities.

Remuneration of Directors and Officers

The following information is furnished as to the aggregate remuneration paid or set aside by the Company and its subsidiaries to, or for the benefit of, the following persons, for services in all capacities during the Company's fiscal year ended February 28, 1973:

1. Each person who was a director of the Company at any time during such fiscal year, and whose aggregate remuneration, exclusive of pension, retirement and similar payments, exceeded \$30,000.

2. Each person who was one of the three highest paid officers of the Company during such fiscal year, and whose aggregate remuneration, exclusive of pension, retirement and similar payments exceeded \$30,000.

3. All persons, as a group, who were directors or officers of the Company at any time during such fiscal year.

<u>Name of Individual or Identity of Group</u>	<u>Capacities in which Remuneration was received</u>	<u>Aggregate Direct(1) Remuneration</u>	<u>Deferred Compensation Credited During 1973(2)</u>
Maurice R. Chambers	Chairman of the Board and Chief Executive Officer	\$117,413	\$ 82,403
Stanley M. Cohen	Executive Vice-President, also President of Central Hardware Company	60,000	
Webster L. Cowden	Vice-President, also Chairman of the Board of Cowden Manufacturing Company	89,654	14,270
William L. Edwards, Jr.	Senior Executive Vice-President	70,000	2,500
Richard H. Ely	Secretary and Senior Counsel (until his death January 20, 1973)	38,083	
Joseph Fox	Vice-President, also President of International Retail Shoe Company (Retired June 1, 1973)....	64,511	47,500
Richard P. Hamilton	Vice-President, also President of The Florsheim Shoe Company	102,500	
Philip N. Hirsch	Vice-President, also President of P. N. Hirsch & Co.	130,459	
Samuel S. Kaufman	Vice-President, also Chairman of the Board of Campus Sweater & Sportswear Company	70,243	
Norfleet H. Rand	Vice-Chairman of the Board and Treasurer	57,255	
John K. Riedy	President and Chief Operating Officer	102,902	21,250
Edward J. Riley	Vice-President, also President of International Shoe Company	139,511	
Herbert Shainberg	Vice-President, also Chairman of the Board of Sam Shainberg Company	50,000	3,040
22 Officers and Directors as a Group	Directors and/or officers of the Company and subsidiaries	1,263,863	170,963

(1) Aggregate Direct Remuneration includes salary and cash bonuses paid and/or accrued during the year.

(2) Amounts set aside for Deferred Remuneration (excluding amounts listed under "Deferred Compensation," page 23) — The deferred remuneration credited to Mr. Chambers' deferred compensation account brings his total amount in the account to \$633,426 which is payable after retirement in 15 annual installments.

The deferred remuneration credited for Mr. Cowden to the trustee deferred profit sharing plan of Cowden Manufacturing Company brings the total standing to his credit to \$153,239 subject to any earnings and losses of the fund and other transfers. Amounts credited are payable upon retirement in a lump sum, in monthly installments over a period of 10 years, or by purchase of life insurance and/or annuity contracts.

A deferred compensation plan is provided Mr. Edwards and a total of \$2,500 is in the account which is payable over a period of ten years after retirement.

The deferred remuneration credited to Mr. Fox's deferred compensation account brings his total in the account to \$472,931, which is payable upon termination of employment with the Company in 120 equal monthly installments.

A deferred compensation plan is provided for Mr. Hamilton and a total of \$10,500 is in the account which is payable upon retirement at age 65 in 120 equal monthly installments.

A five-year deferred compensation plan was provided for Mr. Hirsch for the period ended January 31, 1969. The plan provided that deferred compensation credited would be payable 5 years after the close of the fiscal year with respect to which credit was made. A payment of \$32,601 was made during 1973 and the total remaining to his credit in the account is \$53,732 which is payable during the next fiscal year.

The deferred remuneration credited to Mr. Riedy's deferred compensation account brings the total amount in the account to \$192,054. This is payable over a period of ten years after retirement.

A deferred profit sharing plan of Sam Shainberg Company provides for contributions by that company based upon the consolidated profit of that company and its subsidiaries. The deferred remuneration credited to Mr. Shainberg's account brings the total standing to his credit to \$155,600. Sam Shainberg Company also contributed \$11,223 to a retirement fund for Herbert Shainberg, bringing the total standing to his credit in that fund to \$110,575.

The Company has employment contracts with Messrs. Shainberg and Cohen at current salary rates of \$50,000 and \$60,000 respectively. The contracts will expire respectively in 1974 and 1977.

Deferred Compensation

Pursuant to a deferred compensation incentive agreement covering a five year period ended January 5, 1970, the following amounts stand credited to special deferred compensation accounts for the individuals designated: Maurice R. Chambers \$333,000, Richard H. Ely \$83,250, Joseph Fox \$277,500, Richard P. Hamilton \$6,938, Norfleet H. Rand \$138,750, John K. Riedy \$55,500, Edward J. Riley \$277,500. The amounts credited, which had been fully accrued at November 30, 1969, by charges against income during the years since the plan was established, become payable in 120 monthly installments upon termination of employment. After attaining age 55 participants in the plan receive supplemental cash benefits annually based upon the amount in the respective deferred compensation accounts. During the year supplemental cash benefits were paid and/or accrued as follows: Maurice R. Chambers \$17,413, Joseph Fox \$14,511, Norfleet H. Rand \$7,255, John K. Riedy \$2,902 and Edward J. Riley \$14,511. These cash benefits are included in the table indicating Aggregate Direct Remuneration.

Retirement Program

Group Annuity — Noncontributory and Insured

The Company has a group annuity plan which has been in effect since January 1, 1941. It is insured with Metropolitan Life Insurance Company. It applies to executive and administrative employees who are employed by the Company before reaching age 50. Benefits are payable at age 65 and thereafter. If because of sickness or other extenuating cause retirement is granted within ten years of age 65, payments may commence on a reduced basis. This reduced basis consists of a percentage of the then purchased annuity as provided under the contract. Prior to January 1, 1968, the employee contributed approximately 40% of the cost of retirement insurance. On January 1, 1968 the plan was changed to a non-contributory plan and since that date, the entire cost has been borne by the Company.

The group annuity integrates with social security and is intended to be approximately a 2% per year plan on the amount of salary in excess of \$6,000 per annum.

On February 28, 1973, there were 945 employees (including directors and officers) participating in the plan.

The following table illustrates the benefits commencing at age 65 that accrue for a continuous salary for certain periods of coverage:

Annual Salary for Number of Years Shown	Annual Benefits for Years of Service Indicated				
	15 yrs.	20 yrs.	25 yrs.	30 yrs.	35 yrs.
\$ 5,000	\$ 724	\$ 964	\$ 1,204	\$ 1,444	\$ 1,684
10,000	2,156	2,876	3,596	4,316	5,036
25,000 and up	6,660	8,880	11,100	13,320	15,540

Supplemental Retirement Plan — *Noncontributory and Unfunded*

In order to make the transition from active employment to retirement less abrupt the Company has a supplemental noncontributory unfunded retirement plan which pays a certain amount in excess of the combined group annuity and the Federal Old-Age Benefits sufficient to raise the total to 50% of the employee's highest salary during the five years immediately preceding age 65 for the first year of retirement after reaching age 65, and then it declines each year 5 percentage points until 20% is reached for 15 years of service — 25% for 25 years service — 30% for 30 years of service and 33⅓% for 35 years or more of service. The supplemental plan was formalized during the fiscal year 1960. Prior to that time all such benefits were voluntary and cancellable. Now the employee's entitlement to benefits payable on reaching age 65 vests at age 60. The Company may arrange for early retirement (before age 65) with the commencement of supplemental benefits on a reduced basis comparable to the basis of early retirement provided for in the group annuity contract. This plan is effective with respect to retirements occurring after April 30, 1960.

Assuming a Federal Old-Age Benefit of \$266 per month the schedule of supplemental benefits, relating to the group annuity table shown above, for the first year of retirement after reaching age 65, is illustrated in the following table:

Annual Salary for Number of Years Shown	Annual Supplemental Benefits				
	15 yrs.	20 yrs.	25 yrs.	30 yrs.	35 yrs.
\$ 25,000	\$ 2,648	\$ 428	\$ 0	\$ 0	\$ 0
50,000	15,148	12,928	10,708	8,488	6,268
75,000	27,648	25,428	23,208	20,988	18,768
100,000	40,148	37,928	35,708	33,488	31,268
125,000	52,648	50,428	48,208	45,988	43,768
150,000	65,148	62,928	60,708	58,488	56,268

By the seventh year of retirement the schedule of supplemental benefits would be reduced to the following table and will be payable until the death of the retired employee:

Annual Salary for Number of Years Shown	Annual Supplemental Benefits				
	15 yrs.	20 yrs.	25 yrs.	30 yrs.	35 yrs.
\$ 50,000	\$ 148	\$ 0	\$ 0	\$ 0	\$ 0
75,000	5,148	2,928	4,458	5,988	6,268
100,000	10,148	7,928	10,708	13,488	14,601
125,000	15,148	12,928	16,958	20,988	22,935
150,000	20,148	17,928	23,208	28,488	31,268

All supplemental payments stop at the end of the month in which the death of the employee occurs.

Stock Options

During the period commencing March 1, 1972 and ending December 18, 1973 the following options to purchase, at the market price of the stock on the date of grant, Common Stock of the Company were granted:

<u>Name of Director or Officer</u>	<u>Number of Shares</u>	<u>Average Per Share Option Price</u>
Maurice R. Chambers	10,000	\$43.125
William L. Edwards, Jr.	7,500	43.708
Richard H. Ely	1,000	48.375
Richard P. Hamilton	3,000	48.375
John K. Riedy	10,000	44.875
Edward J. Riley	3,000	48.375
All Directors and Officers as a Group	42,250	44.771

During the period commencing March 1, 1972 and ending December 18, 1973, the following options were exercised:

<u>Name of Director or Officer</u>	<u>Number of Shares</u>	<u>Aggregate Purchase Price</u>	<u>Aggregate Market Value of Shares on Date Options Exercised</u>
Stanley M. Cohen	3,000	\$ 96,750	\$ 140,625
Webster L. Cowden	4,000	129,000	202,000
William L. Edwards, Jr.	1,875	54,609	96,875
Richard P. Hamilton	2,000	64,500	94,625
John K. Riedy	5,625	172,031	310,781
Philip N. Hirsch	5,000	70,000	253,750
Edward J. Riley	4,000	129,000	201,500
Herbert Shainberg	4,000	129,000	215,500
All Directors and Officers as a Group	34,250	998,078	1,766,875

The following table shows options outstanding December 18, 1973:

<u>Name of Director or Officer</u>	<u>Number of Shares</u>	<u>Average Per Share Option Price</u>
Maurice R. Chambers	10,000	\$43.125
Stanley M. Cohen	3,500	29.25
William L. Edwards, Jr.	14,375	38.848
Richard P. Hamilton	7,500	40.90
John K. Riedy	19,375	37.315
Edward J. Riley	6,500	44.54
All Directors and Officers as a Group	71,000	39.92

In connection with the exercise of an option to purchase 1000 shares of Common Stock of the Company, Ronald L. Aylward, Vice President and General Counsel, borrowed \$25,000 on December 1, 1971 from a subsidiary of the Company which makes loans to employees for that purpose. The

loan is secured by a pledge of 1,234 shares of Common stock and as of December 1, 1973 \$11,828.58 was owed plus 8% interest per annum.

Certain Transactions

Webster L. Cowden, a vice-president and director of the Company and chairman of the board of its subsidiary Cowden Manufacturing Company, and his associates own a controlling interest in corporations which lease to Cowden Manufacturing Company a factory building at Morehead, Kentucky, a factory building at Mt. Sterling, Kentucky, a factory building at Lancaster, Kentucky, and an office building at Lexington, Kentucky. The current annual rental for these properties for the fiscal year 1973 was \$109,278, of which Mr. Cowden's gross interest amounted to \$82,578. Four of the five leases involved provide for the payment of real estate taxes by the landlord, and two of the leases provide for insurance coverage at the expense of the landlord. All five of the leases have approximately 7 years to run and provide that the tenant shall maintain the properties. The provisions are favorable to the subsidiary when compared to leases with non-affiliated persons.

Herbert Shainberg, a vice-president and director of the Company and chairman of the board of its subsidiary Sam Shainberg Company, and his associates are participants in partnerships or own all of the stock of corporations which lease to subsidiaries of Sam Shainberg Company six retail store buildings located in Memphis, Union City, and Dyersburg, Tennessee. The current annual rental for these properties during the fiscal year 1973 was \$122,500, of which Mr. Shainberg's gross interest amounted to \$38,000. All of the leases provide for payment of taxes, insurance, maintenance and repairs by the landlord. The provisions are favorable to the subsidiary when compared to leases with non-affiliated persons.

BUSINESS AND PROPERTIES OF UNITED

United Shirt Distributors, Inc. was incorporated in the State of Delaware on June 25, 1928. United is also duly licensed and qualified to transact business in the State of Michigan. Originally, United was founded by Harry A. Hyman as a sole proprietorship in Detroit, Michigan in 1922.

Nature of Business

United sells men's clothing and furnishings at retail to the general public in the State of Michigan in 32 of its stores under the name of UNITED SHIRT DISTRIBUTORS and in 8 of its stores under the name of JEANS GALORE. It has no other line of business and holds no licenses, franchises, or concessions.

Competition

Competition in the men's retail clothing and furnishings lines is very keen. United believes that the principal competitors of its JEANS GALORE stores are Pants Galore and Midwest Trouser Company and that J. L. Hudson Company, Hughes & Hatcher, Richman Brothers, Sears, Montgomery Ward and the J. C. Penney Company are the principal competitors of its other operations.

Employees

United employs approximately 240 people. Of these, approximately 174 are full time employees and 66 are part time employees. On February 1, 1971 United entered into a union labor contract with the Amalgamated Clothing Workers of America for a term expiring on January 31, 1974, covering approximately 82 regular and 38 part time retail clerks; and on June 30, 1973 United entered into a union labor contract with Local Union 337, Affiliated with the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America for a term expiring June 29, 1976, covering its three (3) truck drivers. These agreements relate to wages, hours, working conditions and other items generally covered by union contracts.

The contract with Local 337, which is negotiated on a regional basis and over which United has little, if any, control, calls for periodic increases in wages and other benefits. No negotiations are pending on the Amalgamated contract and no further increases are due thereunder during the remaining term thereof. United believes that its wages being paid under those contracts, as well as to its other employees, compares favorably with wages and salaries in similar businesses.

United provides and pays the premiums on Group Life Insurance Plans, at a varying scale, for the benefits of its executives, window trimmers and other office employees. It also provides and pays the premiums for a Group Major Medical Plan for the benefit of its executives; and also contributes to a contributory Blue Cross-Blue Shield Hospitalization and Medical Plan for the benefit of its executives, store managers, and regular non-union salaried employees. Under its Union contracts, it contributes to Health and Welfare and Pension Plans for the benefit of its unionized employees. United also contributes to an Annuity Retirement Plan for the benefit of its executives and non-union employees.

Properties

United owns free and clear its office and warehouse premises at 1927 Michigan Avenue, Detroit, Michigan, which has an area of approximately 24,720 square feet, and its store premises at 107 Michigan Avenue, Detroit, Michigan which has an area of approximately 3,200 square feet (which include the basement area). It leases the remaining 38 locations in which it conducts its operations. Most of the leases are in shopping centers in the Metropolitan Detroit, Michigan area. Of the 38 leases, 30 expire in the next 5 calendar years of which: 7 leases expire in 1974 (no renewal options); 9 leases expire in 1975 (8 have no renewal options and 1 has a 10 year renewal); 7 leases expire in 1976 (4 have no renewal options, 2 have 3 year renewals and 1 has a 5 year renewal); 3 leases expire in 1977 (2 have no renewal options and 1 has two 5 year renewals) and 4 leases expire in 1978 (no renewal options). In those leases without renewal provisions it is the opinion of United's management that they can negotiate a new lease term on satisfactory terms. None of the individual stores contributed significantly, more or less, to revenues or income during the last two fiscal years. In

the last two calendar years, 1 store was closed in 1972 (subsequently the premises were sublet under the same terms as the prime lease which expires in 1976) and 2 stores were opened in 1972 and 3 stores were opened in 1973.

Economic Stabilization Program

Federal regulations and guidelines have been issued under the Economic Stabilization Act of 1970, as amended, which affect firms' employee compensation, prices, dividend rates and profit margins applicable to domestic operations. The Company is a Price Category III firm under Phase IV, which phase began August 13, 1973 and continues in effect, and is subject to certain record keeping and reporting requirements. The regulations under Phase IV are similar to the regulations in effect during Phase II. Generally, under the Phase IV regulations, prices may be increased above base prices to reflect increases in allowable costs, reduced by assumed productivity gains, as long as the firm's current profit margin does not exceed its new base period profit margin.

MANAGEMENT OF UNITED

Directors

Based upon information received from the respective directors of United, such directors and their associates owned beneficially as of the close of business on December 26, 1973, the number of common shares of United Stock set opposite their names in the following table:

<u>Name</u>	<u>Position</u>	<u>Year in Which First Elected as a Director</u>	<u>Number of Shares of United Beneficially Owned</u>
Harry A. Hyman.....	Chairman of Board	1928	23,499(1)
Bert A. Hyman.....	President	1943	46,068(2)
Samuel Kane	Executive Vice President and Treasurer	1945	33,556(3)
Herbert M. Eiges.....	Secretary and Partner in Karbel, Eiges, Rothstein & Karbel, Legal Counsel to United	1955	10,111(4)
Robert A. Scott.....	Asst. Secretary	1939(5)	1,890(6)

- (1) This stock is held in trust under a Restated Revocable Trust Agreement created by Harry A. Hyman dated 7/24/73 (effective 7/31/69) and amended on 8/27/73. Harry A. Hyman is the Trustee and life beneficiary of said Trust. In addition thereto, Martha S. Hyman, wife of Harry A. Hyman, is the beneficial owner of 35,768 such shares.
- (2) In addition thereto, Mona L. Hyman, wife of Bert A. Hyman, is the beneficial owner of 9,765 such shares.
- (3) In addition thereto, Martha Kane, wife of Samuel Kane, is beneficial owner of 9,292 such shares.
- (4) Bert Eiges, brother of Herbert M. Eiges, is beneficial owner of 2,932 such shares, in addition thereto.
- (5) Scott did not serve as Director from 1944-1951, but was reelected in 1952.
- (6) Owned as joint tenants with right of survivorship by Robert A. Scott and his wife, Margaret O. Scott.

Additional Information Concerning Directors and Officers

The aggregate remuneration paid or accrued for services in all capacities during the fiscal year ended January 31, 1973 by United to each director whose remuneration exceeded \$30,000 and to each

of its highest paid officers whose remuneration exceeded that amount, and to all directors and officers as a group, is set forth in the following table:

<u>Name</u>	<u>Capacity in which Remuneration was Received</u>	<u>Aggregate Direct Remuneration — Salary and Bonus</u>	<u>Estimated Annual Pension Benefits Upon Retirement</u>
Bert A. Hyman	President	\$66,128(1)	(2)
Samuel Kane	Executive Vice President and Treasurer	\$65,762(1)	(2)
Officers and Directors as a Group (5 Persons including those named above)		\$146,123(3)	

- (1) The salaries paid or accrued since February 1, 1973 have been substantially on the same annual basis. The Merger Agreement provides that, as a condition to United's and INTERCO'S other obligations thereunder, employment contracts will be entered into between the surviving corporation resulting from the merger and Messrs. Bert A. Hyman and Samuel Kane, for a period of 5 years, at an annual salary for each of them of \$75,000, but under which each of them would assume certain local business entertainment expenses. Said contract is subject to renewal by Bert A. Hyman on a year to year basis for the ensuing 5 years, provided that the corporation meets certain earnings standards during the last year of the first 5 year term and during each of the ensuing years.
- (2) Effective as of June 1, 1968, United entered into a Group Annuity Contract with Massachusetts Mutual Life Insurance Company, under which it makes contributions for the benefit of its regular non-union salaried employees. Under that contract, as amended, the Normal Annuity Commencement Date of a Participant is the first day of the calendar month which is coincident with, otherwise which follows, the later of (a) his 65th birthday, and (b) his completion of 15 years of service. The Annuity Retirement Benefits to which the Participant would be entitled is determined upon a formula based upon years of Credited Service and regular compensation paid. Credited Service for Bert A. Hyman and Samuel Kane commenced as of June 1, 1968. Provided that United makes the required payments under the contract, and provided that no other options provided for by the contract are exercised and that they continue their employment, it is estimated that at the end of said 15 year period, Bert A. Hyman and Samuel Kane would each be entitled to monthly benefits of \$850 for the remainder of their lives.
- (3) This does not include \$6500 paid to the firm of Karbel, Eiges, Rothstein & Karbel, of which Herbert M. Eiges is a partner, for legal services rendered during the fiscal year ended January 31, 1973.

Certain Transactions

Harry A. Hyman, Chairman of the Board of United, owns 75% of a tenancy in common which is the Lessor of a premises located at 8001 Harper Road, Detroit, Michigan, which premises is leased to United. The lease expires June 30, 1974 and the rental paid to the Lessors for United's last fiscal year was \$8,937. The other 25% interest is owned by an irrevocable trust dated May 8, 1972 created by Samuel Kane, Executive Vice President, Treasurer and Director of United for the benefit of his wife, Martha, and his son, Ronald. The provisions are generally comparable to those contained in leases with nonaffiliated persons.

DESCRIPTION OF CAPITAL STOCK OF INTERCO

The following statements are brief summaries of certain provisions of the Composite Articles of Incorporation of INTERCO, which are filed with the Securities and Exchange Commission.

INTERCO has three authorized classes of Capital Stock: Common Stock, without par value; First Preferred Stock, without par value and Second Preferred Stock, without par value. Both classes of Preferred Stock are issuable in series and there are presently outstanding one series of First Preferred Stock and one series of Second Preferred Stock.

Common Stock

The holders of Common Stock have one vote for each share held of record and are entitled, voting together with the holders of Preferred Stock as described below, to cumulate votes for the election of directors. Upon any liquidation, dissolution or winding-up of INTERCO, and after the holders of the outstanding Preferred Stocks have been paid the amounts to which they are entitled, the holders of Common Stock are entitled to the remaining net assets of INTERCO.

Subject to the rights of holders of the Preferred Stocks and certain restrictions contained in the Loan Agreement with respect to the Company's outstanding 4½% Promissory Installment Notes (see "Capitalization"), the holders of Common Stock are entitled to receive dividends when and as declared by the Board of Directors out of any funds legally available therefor. Retained earnings of \$43,810,000 are restricted, under the Loan Agreement, as to the payment of cash dividends on capital stock and the purchase, redemption or retirement of capital stock. Further, no dividend payments may be made unless, after giving effect thereto, consolidated working capital will be at least \$80,000,000.

The outstanding shares of Common Stock are fully paid and non-assessable, and the shares of newly issued Common Stock offered hereby, when issued and paid for, will be fully paid and non-assessable. No holder of Common Stock is entitled as a matter of right to purchase any shares of capital stock, obligations, warrants, or other securities of INTERCO of any class, whether now or hereafter authorized.

Preferred Stock

There are set forth below certain provisions relating to the Preferred Stocks which may affect the rights of the holders of Common Stock.

Priority — Shares of the Preferred Stocks rank senior to the Common Stock as to dividends and liquidation. The holders of Series B First Preferred Stock and Series C Second Preferred Stock are entitled to receive, in preference to the Common Stock, cumulative dividends in the amounts of \$2.10 per share, and \$5.25 per share, respectively. Upon any liquidation, dissolution or winding-up of INTERCO, the holders of the Series B First Preferred Stock and Series C Second Preferred Stock are currently entitled to receive before any payment or distribution is made to holders of Common Stock, \$42.10 per share, and \$105.25 per share, respectively, if the liquidation is voluntary; \$40 per share, and \$100 per share, respectively, if the liquidation is involuntary, together in each case with accrued dividends.

Conversion Rights — The outstanding shares of Preferred Stock of each series are convertible into shares of Common Stock, as set forth under "Capitalization."

Voting Rights — The holders of the outstanding Preferred Stocks have the following votes for each share held of record: Series C Second Preferred Stock, one vote; and Series B First Preferred Stock ½ of one vote. The holders of the Preferred Stocks are entitled to vote together with the holders of Common Stock, without regard to class, on all matters to be voted upon by stockholders (cumulatively for the election of directors), except as required by law and except that (i) if quarterly dividends payable to either class of Preferred Stock are in default, the holders of both classes thereof, voting together as a single class, are entitled to elect two members of the Board of Directors and the holders of Common Stock voting as a class are entitled to elect the remaining directors, and (ii) the separate vote of the holders of the outstanding shares of a class of Preferred Stock, without regard to series, is necessary for: (a) any increase in the authorized number of shares of such class of Preferred Stock, (b) the authorization of a new class of stock ranking prior to or on a parity with such class of Preferred Stock as to dividends or distribution of assets, and (c) an alteration or change in the designation of the powers, preferences or rights of the holders of such class of Preferred Stock so as to adversely affect that class of Preferred Stock.

DESCRIPTION OF UNITED COMMON STOCK

The following is a brief summary of authorized capital, issued stock, voting dividend and liquidation rights of United, and the Registration of such stock with the Securities and Exchange Commission.

United's authorized capital stock consists of 350,000 shares of common stock at \$1 par value, of which 290,078 shares have been issued. The outstanding shares are fully paid and nonassessable.

Each shareholder is entitled to one vote for each share of stock held by him. Such shares have no preemptive, subscription, conversion, redemption, or cumulative voting rights. The shareholders are entitled to such dividends on their common stock holdings as the Board of Directors may declare from time to time out of funds legally available for such purpose.

In the event of any liquidation, dissolution, or winding up of United, the holders of the common shares will be entitled to share ratably in any assets remaining after the payment of all obligations and liabilities.

United's common stock is registered with the Securities and Exchange Commission pursuant to Section 12(b) of the Securities Act of 1933, as amended. Its shares of stock are listed on the Detroit Stock Exchange. The Transfer Agent and Registrar for such stock are the Detroit Bank & Trust Company and National Bank of Detroit, both of Detroit, Michigan, respectively.

Record Date for Voting on Proposed Merger

The Board of Directors of United has fixed December 26, 1973 as the record date for determination of stockholders entitled to notice of and to vote at the Special Meeting of Stockholders to be held to consider and act upon the proposed Agreement and Plan of Reorganization and the transaction contemplated thereby and any other matter that properly may be brought before said meeting.

Voting Securities and Principal Holders Thereof

As of said record date, there were 290,078 shares of Common Stock of United outstanding and entitled to said notice and right to vote, each share being entitled to one (1) vote.

The Principal Beneficial Holders of such Common Stock, and their associates, as of the close of business on December 26, 1973, according to information obtained from the Transfer Agent and such stockholders, and the percentage of such outstanding shares so owned, are set forth in the following table:

<u>Name</u>	<u>Number of Shares Beneficially Owned</u>	<u>Percentage of Outstanding Shares</u>
Harry A. Hyman	23,499(1)	8.10%
Martha Hyman, his wife	35,768	12.33%
Bert A. Hyman	46,068	15.88%
Mona L. Hyman, his wife	9,765	3.37%
Samuel Kane	33,556	11.57%
Martha Kane, his wife	9,292	3.20%

- (1) This stock is held in Trust under a Restated Revocable Trust Agreement created by Harry A. Hyman dated 7/24/73 (effective 7/31/69) and amended on 8/27/73. Harry A. Hyman is the Trustee and life beneficiary of such Trust.

Thus the above members of the Hyman family between them beneficially own 115,100 such shares, or approximately 39.68% of the outstanding stock; Samuel Kane and his wife beneficially own 42,848 such shares, or approximately 14.77% of the outstanding stock. The Hyman families and Samuel Kane and Martha Kane, his wife, among them own 157,948 such shares, or approximately 54.45% of the outstanding stock.

RIGHTS OF DISSENTING SHAREHOLDERS OF UNITED

The rights of shareholders of United who dissent from the adoption of the Plan of Merger and Reorganization are governed by Section 262 of the General Corporation Law of the State of Delaware.

Under those provisions, CA Incorporated, the corporation surviving and resulting from the merger ("CA Inc."), must within ten (10) days after the effective date of the merger, notify each stockholder of United who objected thereto in writing and whose shares either were not entitled to vote or

were not voted in favor of the merger, and who had filed such written objection with United before taking of the vote on the merger, that the merger has become effective.

If any such stockholder shall, within 20 days after the mailing of such notice, demand in writing from CA Inc. payment of the value of his stock, CA Inc. must within 30 days after the expiration of the period of 20 days, pay to him the value of his stock as of the effective date of the merger, exclusive of any element of value arising from the expectation or accomplishment of the merger.

If any such stockholder and CA Inc. within a period of 30 days following the period of 20 days within which such demand for payment may be made, fail to agree upon the value of such stock, either such stockholder or CA Inc. may, by a petition filed in the Court of Chancery of Delaware within four months after such period of 30 days, demand that a determination of the value of the stock of all such stockholders be made by an appraiser to be appointed by the Court.

Said Section 262 of the General Corporation Law of Delaware sets forth the procedure for service of the petition, determination of the dissenting stockholders entitled to be paid the value of their stock, and the determination of the value thereof. Such dissenting shareholders and the surviving corporation have the right to present evidence to the appraiser as to the value of such stock.

At the time of appointing the appraiser or at any time thereafter the Court may require the stockholders who demanded payment for their shares to submit their certificates of stock to the Registrar in Chancery for notation thereon of the pendency of the appraisal proceeding. If any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

The cost of such proceeding exclusive of fees of counsel or of experts retained by any party, may on application of any party in interest be determined by the Court and taxed upon the parties to such appraisal or any of them as appears to the Court to be equitable. However, the cost of giving the notice by publication and by registered mail provided for by said Section 262 shall be paid by the corporation. Also, the Court, on application of any party in interest, may determine the amount of interest, if any, to be paid upon the value of the stock of the stockholders entitled thereto.

Any stockholder who has demanded payment for his stock will not thereafter be entitled to vote such stock for any purpose or be entitled to dividends or other distribution on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger) unless the appointment of an appraiser has not been applied for within the time above stated, or the proceeding has been dismissed as to such stockholder, or unless such stockholder shall with the written approval of CA Inc. deliver to said CA Inc., a written withdrawal of his objections to and an acceptance of the merger, in any of which cases the right of such stockholder to payment for his stock will cease.

A dissenting shareholder will not be entitled to receive and CA Inc. will not be obligated to pay such fair cash value of the stock in the event: (1) such shareholder has not filed with United written objection to the merger before the taking of the vote on the proposed merger; (2) the merger is abandoned by act of the Boards of Directors of CA Inc., United and INTERCO, the other party involved in such merger proposal; (3) the merger is enjoined or prevented from being carried out; (4) the shareholder, with the consent of CA Inc., withdraws his demand for such payment; (5) neither the shareholder nor CA Inc. shall have filed a petition with the appropriate Court of Chancery of Delaware within the time period provided by such Section 262 of the General Corporation Law of Delaware for the appointment of an appraiser and the determination of the value of such stock; or (6) such shareholder has not otherwise complied with the provisions of Section 262 of the General Corporation Law of the State of Delaware (unless CA Inc. by its directors waives such failure to comply).

A shareholder's failure to vote against the proposed merger will not constitute a waiver of his dissenting rights. However, a mere vote against the adoption of the proposed Merger does not in itself constitute the demand for payment required by Section 262 of the General Corporation Law of Delaware (the shareholder must have filed a written objection to the proposed Merger before the taking of the vote on the approval of the Merger); nor will such mere vote against the adoption of

the proposed Merger be deemed to satisfy any notice or demand requirements of said Section 262 of the General Corporation Law of Delaware with respect to the rights of such dissenting shareholder.

United does not plan to send out any further notice as to the date on which the vote of shareholders will be taken on such proposal.

EXPERTS

The consolidated financial statements of INTERCO INCORPORATED and subsidiaries for the five years ended November 30, 1972 and the three months ended February 28, 1973 appearing in this Proxy Statement have been examined by Peat, Marwick, Mitchell & Co., independent certified public accountants, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

The financial statements of United Shirt Distributors, Inc. for the five (5) years ended January 31, 1973 appearing in this Proxy Statement have been examined by Price Waterhouse & Co., Independent Accountants, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

This Proxy Statement does not contain all of the information set forth in the Registration Statement filed by INTERCO with the Securities and Exchange Commission, Washington, D. C., pursuant to the Securities Act of 1933, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the securities offered hereby, reference is made to the Registration Statement, including the exhibits thereto. The Registration Statement may be inspected at the office of the Commission or copies may be obtained upon payment of the applicable charges.

BY ORDER OF THE BOARD OF DIRECTORS

UNITED SHIRT DISTRIBUTORS, INC.
Herbert M. Eiges
Secretary

Detroit, Michigan
December 28, 1973.

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ACCOUNTANTS' REPORT

The Board of Directors and Stockholders
INTERCO INCORPORATED:

We have examined the consolidated balance sheet of INTERCO INCORPORATED and subsidiaries as of February 28, 1973 and the related statements of earnings and stockholders' equity for the five years ended November 30, 1972 and the three months ended February 28, 1973, and changes in financial position for the three years ended November 30, 1972 and the three months ended February 28, 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of INTERCO INCORPORATED and subsidiaries at February 28, 1973 and the results of their operations and changes in stockholders' equity and financial position for the periods indicated above, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

St. Louis, Missouri
April 9, 1973

INTERCO INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	Thousands of Dollars	
	February 28, 1973	August 31, 1973
		(Unaudited)
CURRENT ASSETS:		
Cash	\$ 17,352	\$15,672
Receivables, less allowance for doubtful accounts and cash discounts of \$3,164,000 at February 28, 1973 and \$3,356,000 at August 31, 1973	136,898	147,223
Inventories (Note 1):		
Finished products and other merchandise	169,672	171,816
Raw materials and work in process	52,412	54,521
	222,084	226,337
Prepaid expenses	2,460	2,625
Future income tax benefits	2,109	2,033
Total current assets	380,903	393,890
OTHER ASSETS:		
Future income tax benefits	2,646	2,552
Excess of investment over equity in subsidiaries at acquisition, net of amortization (Note 1)	9,995	9,756
Sundry investment and other assets	5,407	5,928
Total other assets	18,048	18,236
PROPERTY, PLANT AND EQUIPMENT, AT COST (Note 1):		
Land	4,817	4,826
Buildings and improvements	79,611	81,000
Machinery and equipment	87,823	91,255
	172,251	177,081
Less accumulated depreciation	85,595	88,315
Net property, plant and equipment	86,656	88,766
	<u>\$485,607</u>	<u>\$500,892</u>

See accompanying notes to consolidated financial statements.

INTERCO INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	Thousands of Dollars	
	February 28, 1973	August 31, 1973
		(Unaudited)
CURRENT LIABILITIES:		
Notes payable	\$ —	\$ 11,836
Current maturities of long-term debt	3,557	3,527
Accounts payable	59,958	58,475
Accrued expenses:		
Payrolls	10,858	10,811
Taxes, other than income	6,075	5,216
Interest	712	851
Other	8,353	10,793
Income taxes	13,027	6,551
Total current liabilities	102,540	108,060
OTHER LIABILITIES:		
Long-term debt, less current maturities (Note 3)	60,778	59,316
Deferred compensation and other deferred liabilities	9,121	9,005
Minority interests in subsidiaries (Note 1)	2,840	2,861
Total other liabilities	72,739	71,182
STOCKHOLDERS' EQUITY:		
Preferred stock, at stated and liquidating value (Note 4):		
First preferred	929	599
Second preferred	15,836	15,836
	16,765	16,435
Common stock, at stated value (Note 5)	75,230	75,344
Capital surplus	42,423	42,563
Retained earnings	176,545	187,308
	310,963	321,650
Less common stock in treasury, at cost (Note 5)	635	—
Total stockholders' equity	310,328	321,650
	<u>\$485,607</u>	<u>\$500,892</u>

INTERCO INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Data with respect to August 31, 1973 and the six months then ended is unaudited)

	Thousands of Dollars					
	Preferred Stock	Common Stock Issued	Common Stock in Treasury	Capital Surplus	Retained Earnings	Total
BALANCE NOVEMBER 30, 1967:						
As previously reported	\$32,607	\$55,666	\$(4,672)	\$ 182	\$ 80,612	\$164,395
Poolings of interests adjustments	16,214	630	8,059	(1,863)	(2,872)	20,168
As restated (Note 2)	48,821	56,296	3,387	(1,681)	77,740	184,563
Net earnings	—	—	—	—	26,252	26,252
Stock options exercised	78	144	34	97	—	353
Preferred stock conversions	(629)	231	—	397	—	(1)
Cash dividends:						
Preferred stock	—	—	—	—	(2,087)	(2,087)
Common stock — \$0.90 per share	—	—	—	—	(6,458)	(6,458)
Pooled companies prior to combination	—	—	—	—	(42)	(42)
BALANCE NOVEMBER 30, 1968	48,270	56,671	3,421	(1,187)	95,405	202,580
Net earnings	—	—	—	—	26,598	26,598
Stock options exercised	35	154	621	30	—	840
Preferred stock conversions	(1,068)	361	—	706	—	(1)
Cash dividends:						
Preferred stock	—	—	—	—	(2,429)	(2,429)
Common stock — \$1.00 per share	—	—	—	—	(7,236)	(7,236)
Pooled companies prior to combination	—	—	—	—	(503)	(503)
Issuance of 82,969 common treasury shares for pooled companies not restated and 2,250 common treasury shares for acquisition of net assets	—	—	1,918	145	(851)	1,212
Treasury stock acquired	—	—	(4,908)	—	—	(4,908)
BALANCE NOVEMBER 30, 1969	47,237	57,186	1,052	(306)	110,984	216,153
Pooling of interests adjustments (Notes 2 and E)	—	1,804	—	1,319	—	3,123
	47,237	58,990	1,052	1,013	110,984	219,276
Net earnings	—	—	—	—	28,480	28,480
Stock options exercised	150	4	—	(7)	—	147
Preferred stock conversions	(812)	271	—	541	—	—
Cash dividends:						
Preferred stock	—	—	—	—	(2,498)	(2,498)
Common stock — \$1.10 per share	—	—	—	—	(8,156)	(8,156)
Pooled companies prior to combination	—	—	—	—	(45)	(45)
Stock issued to former stockholders of pooled company	3,792	—	—	(10)	(3,784)	(2)
Treasury stock acquired	(8)	—	(4,717)	(4)	—	(4,729)
BALANCE NOVEMBER 30, 1970	50,359	59,265	(3,665)	1,533	124,981	232,473
Net earnings	—	—	—	—	32,865	32,865
Stock options exercised	496	180	280	299	—	1,255
Preferred stock conversions	(28,118)	9,333	—	18,782	—	(3)
Cash dividends:						
Preferred stock	—	—	—	—	(1,787)	(1,787)
Common stock — \$1.20 per share	—	—	—	—	(10,059)	(10,059)
Pooled companies prior to combination	—	—	—	—	(101)	(101)
Treasury stock acquired	—	—	(424)	—	—	(424)
Sale of 400,000 common shares	—	3,000	—	13,843	—	16,843
Stock issued to former stockholders of pooled company — 12,191 shares	—	—	341	—	(341)	—
Series B preferred treasury shares converted to 132 common treasury shares	—	1	(3)	2	—	—
BALANCE NOVEMBER 30, 1971	\$22,737	\$71,779	\$(3,471)	\$34,459	\$145,558	\$271,062

See accompanying notes to consolidated financial statements.

INTERCO INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Data with respect to August 31, 1973 and the six months then ended is unaudited)

	Thousands of Dollars					
	Preferred Stock	Common Stock		Capital Surplus	Retained Earnings	Total
		Issued	in Treasury			
BALANCE NOVEMBER 30, 1971	\$22,737	\$71,779	\$(3,471)	\$34,459	\$145,558	\$271,062
Net earnings	—	—	—	—	37,697	37,697
Stock options exercised:						
Series C — 4,087 shares	409	—	—	(134)	—	275
Common — 178,365 shares	—	1,000	1,291	2,623	—	4,914
Preferred stock conversions:						
Series A — 27,227 shares	(2,723)	888	—	1,835	—	—
Series B — 29,912 shares	(1,196)	448	—	748	—	—
Series C — 26 shares	(3)	1	—	2	—	—
Cash dividends:						
Preferred stock	—	—	—	—	(1,035)	(1,035)
Common stock — \$1.24 per share	—	—	—	—	(11,740)	(11,740)
Pooled companies prior to acquisition	—	—	—	—	(101)	(101)
Issuance of 40,250 common shares for acquired company	—	302	—	1,207	—	1,509
BALANCE NOVEMBER 30, 1972	19,224	74,418	(2,180)	40,740	170,379	302,581
Net earnings	—	—	—	—	11,133	11,133
Stock options exercised:						
Common — 1,250 shares	—	9	—	27	—	36
Preferred stock conversions:						
Series A — 24,305 shares	(2,430)	792	—	1,638	—	—
Series B — 635 shares	(25)	10	—	15	—	—
Series C — 40 shares	(4)	1	—	3	—	—
Cash dividends:						
Preferred stock	—	—	—	—	(220)	(220)
Common stock — \$0.32 per share	—	—	—	—	(3,202)	(3,202)
Stock issued to former stockholders of pooled company — 53,800 shares	—	—	1,545	—	(1,545)	—
BALANCE FEBRUARY 28, 1973	16,765	75,230	(635)	42,423	176,545	310,328
Net earnings	—	—	—	—	18,612	18,612
Stock options exercised:						
Common — 5,600 shares	—	5	164	(80)	—	89
Preferred stock conversions:						
Series A — 2,807 shares	(281)	91	—	189	—	(1)
Series B — 1,220 shares	(49)	18	—	31	—	—
Cash dividends:						
Preferred stock	—	—	—	—	(436)	(436)
Common stock — \$0.64 per share	—	—	—	—	(6,416)	(6,416)
Treasury stock acquired (Note 5)	—	—	(526)	—	—	(526)
Stock issued to former stockholders of pooled company — 30,317 shares	—	—	997	—	(997)	—
BALANCE AUGUST 31, 1973	<u>\$16,435</u>	<u>\$75,344</u>	<u>\$ —</u>	<u>\$42,563</u>	<u>\$187,308</u>	<u>\$321,650</u>

INTERCO INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Data with respect to the six months ended August 31, 1973 is unaudited)

	Thousands of Dollars				
	Year Ended November 30,			Three Months Ended	Six Months Ended
	1970	1971	1972	February 28, 1973	August 31, 1973
Working capital provided by:					
Net earnings	\$28,480	\$32,865	\$37,697	\$ 11,133	\$ 18,612
Depreciation and amortization	9,029	9,784	10,175	2,718	5,639
Decrease (increase) in future income tax benefits	(622)	(219)	(162)	282	94
Other, net	165	28	120	(303)	(95)
Operations	37,052	42,458	47,830	13,830	24,250
Disposal of property, plant and equipment	3,385	5,947	982	167	1,249
Issuance of common stock for conversion of preferred stock — contra below	812	28,118	3,922	2,459	330
Exercise of stock options	147	1,255	5,189	36	89
Working capital of purchased companies	3,403	451	5,364	—	—
Issuance of common stock for purchase of company	—	—	1,509	—	—
Sale of common stock	—	16,843	—	—	—
Other, net	—	162	—	580	—
	<u>44,799</u>	<u>95,234</u>	<u>64,796</u>	<u>17,072</u>	<u>25,918</u>
Working capital used for:					
Purchase of property, plant and equipment	16,058	14,234	14,797	3,154	8,759
Cash dividends	10,699	11,947	12,876	3,422	6,852
Conversion of preferred stock — contra above	812	28,118	3,922	2,459	330
Reduction of long-term debt	4,139	3,268	5,983	1,354	1,462
Purchase of companies	9,538	509	6,296	—	—
Treasury stock acquired	4,729	424	—	—	526
Other, net	752	—	764	—	522
	<u>46,727</u>	<u>58,500</u>	<u>44,638</u>	<u>10,389</u>	<u>18,451</u>
Increase (decrease) in working capital	<u>\$ (1,928)</u>	<u>\$36,734</u>	<u>\$20,158</u>	<u>\$ 6,683</u>	<u>\$ 7,467</u>
Working capital increased (decreased) by:					
Cash	\$ (363)	\$ 9,640	\$(6,127)	\$(11,494)	\$(1,680)
Receivables	3,372	2,155	19,288	2,627	10,325
Inventories	18,187	14,172	14,964	7,667	4,253
Notes payable	(13,781)	20,085	(9,751)	9,751	(11,836)
Current maturities of long-term debt	(635)	551	1,129	236	30
Accounts payable and accrued expenses	(11,142)	(9,697)	(618)	(3,882)	6,286
Other current assets and liabilities, net	2,434	(172)	1,273	1,778	89
	<u>\$ (1,928)</u>	<u>\$36,734</u>	<u>\$20,158</u>	<u>\$ 6,683</u>	<u>\$ 7,467</u>

See accompanying notes to consolidated financial statements.

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Data with respect to August 31, 1972 and 1973 and the respective six months then ended is unaudited)

(1) Summary of Significant Accounting Policies:

The company employs generally accepted accounting principles on a consistent basis to present fairly its financial position, results of operations, changes in stockholders' equity and changes in financial position. The major accounting policies of the company are set forth below.

Fiscal Year —

On December 11, 1972, the Board of Directors approved the change in the company's fiscal year from November 30 to the last day in February.

Principles of Consolidation —

The consolidated financial statements include the accounts of all subsidiaries which are more than 50% owned.

Working capital and operating results of foreign subsidiaries (principally Canadian) are converted into United States dollars at approximate exchange rates at the end of the fiscal period. Non-current assets are generally stated at exchange rates prevailing at dates of acquisitions. Unrealized gains and losses from conversion of foreign currencies are not material and are reflected in current operations.

All material intercompany accounts, transactions, and unrealized profit have been eliminated in consolidation.

Inventories —

Approximately 93% of the inventories are priced at the lower of cost (first-in, first-out) or replacement market. The remainder of the inventories are priced on the "last-in, first-out" method. Had the "first-in, first-out" method been applied to all inventories, they would have been stated at \$246,246,000 and \$241,416,000 at August 31, 1973 and February 28, 1973, respectively. Inventories used in the computation of cost of sales are as follows:

November 30:

1967 — \$135,924,000	1970 — \$185,281,000
1968 — 148,619,000	1971 — 199,453,000
1969 — 167,094,000	1972 — 214,417,000

February 28:

1973 — 222,084,000	1972 — 200,660,000
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August 31:

1973 — 226,337,000	1972 — 211,356,000
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Property, Plant and Equipment —

The provision for depreciation is based on the estimated useful lives of the assets, ranging from 3 to 50 years for buildings and improvements and 3 to 16 years for machinery and equipment. For financial reporting purposes, the company employs both the straight-line and accelerated methods in computing depreciation. Currently, approximately 75% of the depreciation expense was computed on the straight-line method. Maintenance and repairs are charged to operations as incurred, while renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation thereon are removed from the accounts and any gain or loss is reflected in operations.

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Minority Interests in Subsidiaries —

Minority interests in subsidiaries consists of capital stock of \$601,000, capital surplus of \$110,000 and retained earnings of \$2,150,000 at August 31, 1973.

Excess of Investment Over Equity in Subsidiaries —

Cost in excess of net assets of companies acquired, except for approximately \$5,300,000 which arose prior to December 1, 1969, is being amortized on a straight-line basis, generally over forty years.

Start-Up Expenses —

Start-up expenses of new facilities are charged to operations in the period incurred.

Income Taxes —

Deferred compensation, depreciation, profit on installment sales and certain reserves are recognized for income tax purposes in years other than the years in which they are reported in the financial statements. Provision has been made for resulting deferred taxes and future tax benefits. Investment tax credits are reflected as a reduction of Federal income taxes for the period in which qualified property is placed in service.

It is the company's intent that the undistributed earnings of subsidiaries will be reinvested in the subsidiaries. Accordingly, no provision has been made for income taxes on such undistributed earnings.

The Federal income tax returns of the company and its major subsidiaries have been examined through 1968. Examinations of years 1969 through 1971 are currently in process. Management is of the opinion that the results of these examinations will have no material effect on the company's financial position or results of operations.

(2) Acquisitions:

During the five years ended November 30, 1972 the company consummated a number of business combinations. All material business combinations accounted for as poolings of interests are included in the consolidated financial statements for all periods presented. Sales and net earnings of these companies for periods prior to consummation are reconciled to amounts originally reported by the company in Notes to Consolidated Statement of Earnings. For those business combinations accounted for as purchases, the accounts of the companies are included in the consolidated financial statements from the date of consummation of the respective transactions. The following table summarizes business combinations and consideration in exchange therefor by type of combination during each of the fiscal periods:

Poolings of interests —

1968 — Campus Sweater and Sportswear Company for a total of 162,146 shares of Series C cumulative, convertible second preferred stock. In addition, 37,920 contingent shares of Series C were issued in 1970 to the former stockholders.

1969 — Five companies for 82,969 shares of common stock.

1970 — Budmark Converters Co. Ltd., Biltwell Company, Inc., Proctor Enterprises, Fine's Men's Shops, Inc. and Bowen Shoe Company, Inc. for a total of 323,617 shares of common stock. In addition, 96,308 contingent shares of common stock were issued in subsequent periods and 30,136 shares of common stock were reserved at August 31, 1973 for future issuance.

1972 — Big Yank Corporation and Standard Sportswear, Inc. for 309,321 shares of common stock.

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Purchases —

1970 — Eagle Family Discount Stores, Inc. for \$8,091,400.

1972 — One company for 40,250 shares of common stock, and the operating assets of several businesses for an aggregate purchase price of \$4,787,000.

The results of operations of purchased businesses are not significant with respect to the consolidated results of operations in the respective periods of acquisition.

The stated value of preferred and common stock issued in certain poolings of interests transactions exceeded the sum of the capital stock and capital surplus accounts of pooled companies. Accordingly, \$1,863,000 of such excess was charged against capital surplus which arose from other transactions subsequent to November 30, 1967. Restatement for these poolings resulted in negative capital surplus at November 30, 1967. Treasury stock with a cost of \$8,059,000 was issued in certain poolings in 1970 and 1972. Of this amount \$3,387,000 was acquired subsequent to November 30, 1967. Accordingly, restatement for these poolings resulted in negative treasury stock at November 30, 1967.

In accordance with the terms of an Agreement and Plan of Reorganization dated November 13, 1973 and an Agreement and Plan of Merger dated November 13, 1973, Devon Apparel, Inc. of Philadelphia, Pennsylvania is scheduled to be merged into a subsidiary of INTERCO on an exchange of stock basis on January 11, 1974. The exchange ratio will be within the range of 2.785 to 3.365 shares of Devon Common Stock for each share of INTERCO Common Stock. The maximum and minimum number of INTERCO shares will be 725,000 and 600,000 respectively. The operations of Devon are summarized as follows, in thousands of dollars:

	Year Ended				
	March 31, 1969	March 31, 1970	April 2, 1971	March 31, 1972	March 30, 1973
Net Sales	\$17,225	\$22,653	\$29,982	\$30,792	\$40,800
Earnings before income taxes	1,819	2,593	4,312	3,058	5,839
Net Earnings	853	1,207	2,076	1,461	2,862

(3) Long-Term Debt:

Long-term debt includes the following:

	Thousands of Dollars	
	August 31, 1973	February 28, 1973
4½% promissory installment notes, payable \$1,875,000 annually through 1989 and balance in 1990	\$44,375	\$44,375
6% promissory installment notes, payable \$750,000 annually, 1974-1975, \$1,250,000 annually, 1976-1979, and balance in 1980	8,625	9,375
4¾% obligation under long-term lease, payable in annual installments increasing from \$260,000 in 1974 to \$565,000 in 1991	7,165	7,415
Other debt at 2½% to 9¼% interest rates, payable in varying amounts through 1993	2,678	3,170
	<u>62,843</u>	<u>64,335</u>
Less current maturities	3,527	3,557
	<u>\$59,316</u>	<u>\$60,778</u>

The aggregate maturities of long-term debt during each of the five years following February 28, 1973 and August 31, 1973 are as follows:

Thousands of Dollars	
February 28, 1973	August 31, 1973
\$3,557	\$3,527
3,536	3,367
3,343	3,713
4,128	4,139
3,569	3,578

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The 4½% note agreement restricts retained earnings of \$43,810,000 as to the payment of cash dividends on capital stock and the purchase, redemption or retirement of capital stock. The agreement also provides that no such payments be made unless consolidated working capital shall be at least \$80,000,000.

(4) Preferred Stock:

The company's preferred stock is issuable in series. Authorized preferred stock consists of 577,060 shares of first preferred (Series B) and 1,000,000 shares of second preferred (Series C) without par value. Such stock is summarized as follows:

Series B — \$2.10 cumulative, with stated and involuntary liquidating value of \$40 per share; issued 14,971 shares (16,191 shares at February 28, 1973), callable beginning in 1975 at \$42.10, decreasing to \$40.00 in 1985; convertible into 2 shares of common stock.

Series C — \$5.25 cumulative, with stated and involuntary liquidating value of \$100 per share; issued 158,359 shares at August 31, 1973 and February 28, 1973; callable beginning in 1975 at \$105.25, decreasing to \$100.00 in 1985; convertible into 3.0534 shares of common stock.

At February 28, 1973, 2,807 of First Preferred Series A — \$4.75 cumulative, with stated and involuntary liquidating value of \$100.00 per share were issued and outstanding. These shares were converted into 12,190 shares of the company's common stock on the basis of 4.3478 for 1.

(5) Common Stock:

The company's common stock consists of 30,000,000 shares authorized with stated value of \$7.50 per share, of which 10,045,941 shares were issued at August 31, 1973 (10,030,711 shares at February 28, 1973, including 22,113 shares in the treasury).

Shares of common stock were reserved for the following purposes at February 28, 1973 and August 31, 1973.

	Number of Shares			
	Unissued		Treasury	
	August 31, 1973	February 28, 1973	August 31, 1973	February 28, 1973
Conversion of preferred stock	513,475	528,119	—	—
Stock option plans:				
Qualified options — granted	217,375	153,575	—	—
— not granted	108,925	173,325	—	—
Not under formal plan — granted	—	—	—	5,000
Contingent shares based on profit per-				
formances of acquired companies	48,277	51,405	—	17,113
	<u>888,052</u>	<u>906,424</u>	<u>—</u>	<u>22,113</u>

The company purchased 7,000 and 6,204 common shares in April and June 1973, respectively. These shares, in addition to the 22,113 shares in the treasury at February 28, 1973, were reissued in June 1973. Of the shares, 5,000 were issued in the exercise of common options and 30,317 under an agreement to issue shares contingent upon earnings of an acquired company.

On November 13, 1967, the company adopted the 1967 Qualified Stock Option Plan. This Plan authorized the granting of options to purchase common stock of the company, at prices not less

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

than 100% of the fair market value on the date of grant, to key employees, including officers. The number of shares reserved for issuance under the Plan was 300,000 shares of common stock. Unless otherwise provided in the option agreements, options are exercisable in cumulative installments of 25% on the first four anniversary dates of the grant. Options expire five years from the date of granting.

On March 13, 1972 the stockholders approved the INTERCO INCORPORATED 1972 Stock Option Plan, authorizing the granting of qualified or non-qualified options, or a combination of both, to key employees, including officers. Two hundred thousand (200,000) shares of common stock are reserved for issuance under the Plan. Qualified and non-qualified options may be granted under the Plan at not less than 100% and 85%, respectively, of the fair market value of the common stock on the date an option is granted. The qualified options expire not later than five years from the date of grant and the non-qualified options expire not later than ten years from the date of grant. Unless otherwise provided in the option agreement, the options are generally exercisable at any time after date of grant. Agreements covering options issued to date under the Plan provide that the options become exercisable in cumulative installments of 25% in the third and fourth years, respectively, and 50% in the fifth year.

The following tabulations summarize information with respect to the stock option plans described above.

<u>Options Granted During Period</u>	<u>Number of Shares</u>	<u>Option Price</u>		<u>Market Value at Dates Granted, Exercisable or Exercised</u>	
		<u>Range Per Share</u>	<u>Total</u>	<u>Range Per Share</u>	<u>Total</u>
Qualified Options:					
Year ended November 30:					
1970	31,750	\$29.25 - 32.25	\$ 961,716	\$29.25 - 32.25	\$ 961,716
1971	54,350	41.25	2,241,938	41.25	2,241,938
1972	64,400	46.13 - 50.31	3,155,513	46.13 - 50.31	3,155,513
Three months ended February 28:					
1973	—	—	—	—	—
Six months ended August 31:					
1973	67,400	41.38 - 43.13	2,806,175	41.38 - 43.13	2,806,175
<u>Options Becoming Exercisable During Period</u>					
Qualified Options:					
Year ended November 30:					
1970	42,875	\$32.25 - 53.44	\$1,396,687	\$26.06 - 36.06	\$1,529,227
1971	41,362	28.94 - 53.44	1,347,789	35.69 - 46.69	1,482,112
1972	9,026	28.94 - 53.44	289,395	44.44 - 54.38	471,550
Three months ended February 28:					
1973	—	—	—	—	—
Six months ended August 31:					
1973	10,087	29.25 - 41.25	318,750	35.00 - 51.00	463,327

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Options Exercised During Period	Number of Shares	Option Price		Market Value at Dates Granted, Exercisable or Exercised	
		Range Per Share	Total	Range Per Share	Total
Qualified Options:					
Year ended November 30:					
1970 -----	500	\$ 32.25	\$ 16,125	\$ 34.50	\$ 17,250
1971 -----	24,060	32.25	775,935	37.94 - 48.13	1,096,540
1972 -----	133,365	28.94 - 32.25	4,284,498	43.38 - 55.25	6,630,268
Three months ended					
February 28:					
1973 -----	1,250	29.06	36,328	49.88	62,344
Six months ended August 31:					
1973 -----	600	32.25	19,350	41.00 - 49.31	27,243
Not under formal Plan:					
Year ended November 30:					
1971 -----	10,000	\$ 14.00	\$ 140,000	\$37.94 - 47.50	\$ 388,937
1972 -----	45,000	14.00	630,000	45.31 - 50.44	2,214,844
Six months ended August 31:					
1973 -----	5,000	14.00	70,000	35.88	179,375
<u>Options Cancelled</u>					
Qualified Options:					
Year ended November 30:					
1970 -----	30,600				
1971 -----	4,950				
1972 -----	750				
Three months ended					
February 28:					
1973 -----	1,100				
Six months ended August 31:					
1973 -----	3,000				
<u>Shares Under Option at August 31, 1973</u>					
Qualified options -----	217,375	\$28.94 - 50.31	\$9,167,970	\$28.94 - 50.31	\$9,167,970

(6) Commitments and Contingent Liabilities:

The company and its subsidiaries have pension plans covering substantially all employees. The company's policy with respect to principal pension plans is to fund pension costs accrued. Total pension expense, which includes as to certain of the plans amortization of prior service cost over periods ranging from 20 to 40 years, was as follows (in thousands):

Year ended November 30:	Three months ended February 28:
1968 - \$4,600	1973 - \$1,938
1969 - 4,760	
1970 - 5,560	Six months ended August 31:
1971 - 6,023	1972 - \$3,800
1972 - 6,965	1973 - 4,637

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Concluded)

The actuarially computed value of vested benefits as of latest valuation dates of the plans exceeds the total of the pension funds by approximately \$5,600,000.

Excluding rental payments on capitalized long-term leases, the company currently has leases expiring at various dates through the year 2047. Based upon existing leases, minimum annual rentals for fiscal 1974 will approximate \$20,400,000, with additional rentals payable under certain leases based on a percentage of sales in excess of specified minimums. Total rent expense was as follows (in thousands):

Year ended November 30:	Three months ended February 28:
1968 — \$20,950	1973 — \$8,586
1969 — 22,806	
1970 — 25,859	Six months ended August 31:
1971 — 28,156	1972 — \$15,498
1972 — 31,903	1973 — 16,939

The company has also guaranteed leases of retail outlets of customers which at February 28, 1973 aggregates approximately \$2,600,000 based on minimum rentals.

(7) Supplementary Income Statement Information:

	Thousands of Dollars				
	Year ended November 30,			Three Months Ended February 28, 1973	Six Months Ended August 31, 1973
	1970	1971	1972		
Depreciation	\$ 8,727	\$ 9,495	\$ 9,912	\$ 2,581	\$ 5,400
Taxes, other than income taxes:					
Payroll taxes	\$10,142	\$11,586	\$13,844	\$ 4,044	\$ 8,551
Property, and other state and local taxes	3,911	4,708	5,286	1,081	2,816
	\$14,053	\$16,294	\$19,130	\$ 5,125	\$11,367
Rents	\$25,859	\$28,156	\$31,903	\$ 8,586	\$16,939
Advertising	\$14,256	\$15,330	\$16,724	\$ 4,438	\$ 8,809

REPORT OF INDEPENDENT ACCOUNTANTS

TO THE STOCKHOLDERS AND
BOARD OF DIRECTORS OF
UNITED SHIRT DISTRIBUTORS, INC.

In our opinion, the accompanying balance sheet and related statements of stockholders' equity and changes in financial position, together with the statement of income appearing elsewhere in this Proxy Statement, present fairly the financial position of United Shirt Distributors, Inc. at January 31, 1973, the results of its operations for the five years then ended and the changes in financial position for the three years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

211 W. Fort Street
Detroit, Michigan
April 2, 1973

UNITED SHIRT DISTRIBUTORS, INC.

BALANCE SHEET

ASSETS

	January 31, 1973	October 31, 1973 (Unaudited)
CURRENT ASSETS:		
Cash	\$1,216,524	\$ 259,545
Marketable securities, at cost which approximates market	—	300,000
Receivables	10,518	2,893
Merchandise inventories (Notes 1 and 2)	1,724,081	2,872,199
Prepaid expenses	94,213	58,004
Total current assets	3,045,336	3,492,641
Cash Surrender Value of Life Insurance	55,817	57,006
PROPERTIES (Note 1):		
Land and buildings	334,962	334,962
Furniture and equipment	408,987	456,642
Leasehold improvements	197,634	205,987
	941,583	997,591
Less — Depreciation and amortization	390,987	474,156
	550,596	523,435
	<u>\$3,651,749</u>	<u>\$4,073,082</u>

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable — trade	\$ 491,631	\$ 687,122
Accrued property taxes	60,000	60,000
Accrued rents	89,344	55,891
Accrued salaries and commissions	19,059	110,050
Other accrued liabilities	97,191	156,536
Federal income taxes	217,689	34,082
Total current liabilities	974,914	1,103,681
STOCKHOLDERS' EQUITY:		
Common stock, \$1 par value — 350,000 shares authorized, 290,078 shares outstanding	290,078	290,078
Capital in excess of par value of common stock	82,668	82,668
Retained earnings	2,304,089	2,596,655
	2,676,835	2,969,401
	<u>\$3,651,749</u>	<u>\$4,073,082</u>

UNITED SHIRT DISTRIBUTORS, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

	Common Stock		Capital in Excess of Par Value of Common Stock	Retained Earnings
	Number of Shares	Amount		
Balance at January 31, 1968	94,100	\$ 94,100	\$136,780	\$1,257,598
Net income	—	—	—	270,672
Cash dividends	—	—	—	(46,050)
Treasury stock purchased and retired	(2,000)	(2,000)	(2,907)	(15,093)
Balance at January 31, 1969	92,100	92,100	133,873	1,467,127
Net income	—	—	—	280,864
Cash dividends	—	—	—	(64,470)
Shares issued in connection with three-for-one stock split	184,200	184,200	(133,873)	(50,327)
Balance at January 31, 1970	276,300	276,300	—	1,633,194
Net income	—	—	—	229,838
Cash dividends	—	—	—	(82,891)
Balance at January 31, 1971	276,300	276,300	—	1,780,141
Net income	—	—	—	301,870
Cash dividends	—	—	—	(82,891)
Balance at January 31, 1972	276,300	276,300	—	1,999,120
Net income	—	—	—	490,113
Cash dividends	—	—	—	(88,439)
Shares issued in connection with 5% stock dividend	13,778	13,778	82,668	(96,705) (A)
Balance at January 31, 1973	290,078	290,078	82,668	2,304,089
Net income	—	—	—	372,338
Cash dividends	—	—	—	(79,772)
Balance at October 31, 1973	290,078	\$290,078	\$ 82,668	\$2,596,655

(A) Includes cash of \$259 for fractional shares.

(B) Information for the nine months ended October 31, 1973 is unaudited.

UNITED SHIRT DISTRIBUTORS, INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended January 31,			Nine Months Ended October 31, 1973 (Unaudited)
	1971	1972	1973	
Financial resources were provided by:				
Net income	\$ 229,838	\$301,870	\$490,113	\$ 372,338
Add (deduct) income charges (credits) not affecting working capital —				
Depreciation and amortization	58,589	88,334	90,699	83,169
Other	(1,464)	19,104	16	(1,189)
Working capital provided by operations	<u>286,963</u>	<u>409,308</u>	<u>580,828</u>	<u>454,318</u>
Financial resources were used for:				
Additions to properties	185,685	261,903	25,878	56,008
Cash dividends (including \$259 for fractional shares in 1973)	82,891	82,891	88,698	79,772
Reduction of long-term debt	12,841	109,867	—	—
	<u>281,417</u>	<u>454,661</u>	<u>114,576</u>	<u>135,780</u>
Increase (decrease) in working capital	<u>\$ 5,546</u>	<u>\$(45,353)</u>	<u>\$466,252</u>	<u>\$ 318,538</u>
Analysis of Changes in Working Capital				
Increases (decreases) in current assets:				
Cash	\$ (307,500)	\$ 91,451	\$456,922	\$ (956,979)
Marketable securities	—	—	—	300,000
Receivables	20,530	(38,377)	(12,374)	(7,625)
Merchandise inventories	210,596	(26,490)	213,533	1,148,118
Prepaid expenses	(1,383)	12,637	3,440	(36,209)
	<u>(77,757)</u>	<u>39,221</u>	<u>661,521</u>	<u>447,305</u>
Increases (decreases) in current liabilities:				
Notes payable	—	52,837	(52,837)	—
Portion of long-term debt due within one year	806	(12,841)	—	—
Accounts payable — trade	(5,838)	45,827	167,653	195,491
Accrued expenses and other liabilities	(49,179)	14,509	50,655	116,883
Federal income taxes	(29,092)	(15,758)	29,798	(183,607)
	<u>(83,303)</u>	<u>84,574</u>	<u>195,269</u>	<u>128,767</u>
Increase (decrease) in working capital	<u>\$ 5,546</u>	<u>\$(45,353)</u>	<u>\$466,252</u>	<u>\$ 318,538</u>

UNITED SHIRT DISTRIBUTORS, INC.

NOTES TO FINANCIAL STATEMENTS

(All Information for the Nine Months Ended
October 31, 1973 is Unaudited)

NOTE 1 — Summary of Significant Accounting Policies:

Inventories —

Inventories are valued at the lower of cost or market, using the retail inventory method, on a first-in, first-out basis.

Properties, Depreciation and Amortization —

Properties are carried at cost and depreciated over the estimated useful lives of the assets using principally accelerated methods. The estimated lives used in computing depreciation are as follows:

Buildings	10-20 years
Furniture and equipment	5-10 years
Automobiles and trucks	3 years

Maintenance and repairs have been charged against income and betterments have been capitalized.

Fully depreciated furniture and equipment and fully amortized improvements to leasehold properties have been eliminated from the asset and related depreciation and amortization accounts in the year in which they became fully depreciated or amortized.

The carrying value of properties retired or otherwise disposed of, and the accumulated depreciation thereon, are eliminated (if not fully depreciated and previously eliminated) at the time of retirement from the asset and accumulated depreciation accounts, respectively, and the resultant profit or loss is credited or charged to income.

Pensions —

Pension expense under a plan covering substantially all non-union employees includes normal cost plus amortization of prior service cost over a period of approximately thirty years. The Company's policy is to fund pension cost accrued.

Investment Tax Credits —

Investment tax credits, which were not material in the five years and nine months ended October 31, 1973, are treated as reductions of income tax expense in the year in which the benefits are obtained.

NOTE 2 — Inventories:

Inventories used in the computation of cost of merchandise sold were \$1,537,038 at January 31, 1971, \$1,510,548 at January 31, 1972, \$1,724,081 at January 31, 1973 and \$2,872,199 at October 31, 1973.

NOTE 3 — Pensions:

Pension expense under a plan covering non-union employees and under two union pension plans is summarized below:

UNITED SHIRT DISTRIBUTORS, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

	<u>Plan Covering Non-union Employees</u>	<u>Union Pension Plans</u>
Year ended January 31:		
1969	\$25,323	\$ 1,237
1970	28,096	5,216
1971	24,000	4,311
1972	28,137	7,670
1973	25,059	11,035
Nine Months ended:		
October 31, 1973	19,764	10,094

At January 31 and October 31, 1973, the unfunded past service liability under the pension plan for non-union employees was approximately \$148,000.

NOTE 4 — Commitments:

The Company occupies substantially all its stores under leases with the following minimum annual rental commitments:

	<u>At January 31, 1973</u>	<u>At October 31, 1973</u>
Year ending January 31:		
1974	\$324,000	\$356,000
1975	255,000	296,000
1976	207,000	249,000
1977	156,000	175,000
1978	123,000	138,000
1979	108,000	112,000
1980 - 1984	54,000	54,000
1985 - 1988	16,000	16,000

Most of the leases require payments of additional rentals based on sales.

NOTE 5 — Supplementary Income Statement Information:

	<u>Year Ended January 31,</u>			<u>Nine Months Ended October 31, 1973</u>
	<u>1971</u>	<u>1972</u>	<u>1973</u>	
Depreciation and amortization of property, plant and equipment	\$ 58,589	\$ 88,334	\$ 90,699	\$ 83,169
Taxes other than income taxes —				
Property taxes	56,088	69,318	72,010	58,951
Payroll taxes	51,211	65,697	95,408	79,340
Miscellaneous state taxes	14,061	17,540	19,636	14,960
Rents	366,455	416,677	474,599	370,711
Advertising costs	112,030	116,088	134,452	88,006

**AGREEMENT AND
PLAN OF REORGANIZATION**

AMONG

INTERCO INCORPORATED
A DELAWARE CORPORATION

CA INCORPORATED
A DELAWARE CORPORATION

AND

UNITED SHIRT DISTRIBUTORS, INC.
A DELAWARE CORPORATION

Dated as of
November 19, 1973

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (the "Agreement") dated as of November 19, 1973, among INTERCO INCORPORATED ("INTERCO"), a Delaware corporation, its wholly-owned subsidiary, CA Incorporated ("CA Inc."), a Delaware corporation, United Shirt Distributors, Inc. ("United"), a Delaware corporation, and the undersigned stockholders of United (the "Warranting Shareholder(s)");

WITNESSETH:

WHEREAS, the parties hereto desire to merge United into CA Inc., with United Shareholders receiving common stock of INTERCO in conversion of their shares in United.

Now, THEREFORE, in order to consummate and effect such reorganization and merger, and in consideration of the mutual covenants and undertakings hereinafter set forth, the parties do hereby approve and adopt this Agreement as a Plan of Reorganization and do mutually covenant and agree as follows:

ARTICLE I

MERGER OF CA INC. AND UNITED

1.1 Merger of United into CA Inc. On the Closing Date (as hereinafter defined) United shall be merged with and into CA Inc. upon the terms and subject to the conditions set forth in the Agreement and Plan of Merger attached hereto as Exhibit A (the "Plan of Merger" or "Merger Agreement".) Pursuant to said Plan of Merger, forthwith upon the Merger Date, the mean average per share closing price of INTERCO common stock on the New York Stock Exchange for the ten (10) trading days preceding the calendar week in which the vote of United shareholders is taken will be divided into \$4,280,000. The result thereof shall be the total number of shares of common stock of INTERCO to be issued to United's shareholders upon the conversion of the 290,078 outstanding shares of United common stock; provided, however, that in no case shall said number of shares of INTERCO common stock be less than 112,652 shares nor more than 142,667 shares. The number of INTERCO shares so determined shall then be divided into 290,078 and the result shall represent the number of shares of United common stock to be converted into one share of INTERCO common stock. Upon the Effective Date, therefore, the outstanding shares of United common stock shall be automatically converted into and become the appropriate number of shares of INTERCO common stock, based upon the above formula. The term "closing price" shall refer to the last sale price and the term "trading days" shall refer to days on which there were any sales of INTERCO common stock on the New York Stock Exchange.

1.2 Issuance and Delivery of INTERCO Common Stock; No Fractional Shares. INTERCO agrees to issue to CA Inc., on or before the Closing Date, all shares of INTERCO Common Stock required to be delivered to the shareholders of United as a result of the transactions contemplated by this Agreement and the Merger Agreement. Certificates representing the shares of INTERCO Common Stock to be issued and delivered to former shareholders of United pursuant to the Merger Agreement shall be delivered and transferred on the Closing Date by CA Inc., as the Surviving Corporation of the Merger of United with and into CA Inc., to Mercantile Trust Company N.A., as Conversion Agent, and shall be redelivered by the Conversion Agent to former shareholders of United only upon surrender and cancellation of certificates representing shares of United outstanding at the Closing Date; provided, however, that neither INTERCO nor United nor the Conversion Agent shall have any obligation to issue fractional shares of INTERCO Common Stock to any former shareholder of United. Dividends and other distributions in respect of shares of Common Stock held by the Conversion Agent for delivery upon presentation of non-surrendered United shares shall be held by the Conversion Agent for the account of such former shareholders of United. In lieu of the issuance or recognition of fractional shares of INTERCO Common Stock or interests or rights therein, the Conversion Agent shall pay to each former shareholder of United otherwise entitled to a fractional share of INTERCO Common Stock an amount in cash equal to the fair market value of any such fractional share of INTERCO Common Stock to which such shareholder would be entitled but for this provision. For purposes of such payment the fair market value shall be the same fraction of the last sale price of the INTERCO Common Stock on the New York Stock Exchange on the last day prior to the Closing Date on which any shares of INTERCO Common Stock were sold on such Exchange. Until surrendered and exchanged, each outstanding certificate theretofore representing

shares of United Common Stock shall be deemed for all purposes, other than the payment of dividends or other distributions, if any, to stockholders of INTERCO, to represent the number of whole shares of INTERCO Common into and for which the shares of United Common theretofore represented thereby shall have been converted. No dividend or other distribution, if any, payable to holders of record of shares of INTERCO Common Stock shall be paid to the holders of such outstanding certificates theretofore representing shares of United Common Stock; provided, however, that upon surrender and exchange of such outstanding certificates theretofore representing shares of United Common Stock there shall be paid to the record holders of the certificate or certificates issued in conversion therefor, the amount, without interest thereon, of dividends and other distributions, if any, which theretofore have been declared and become payable with respect to the number of whole shares of INTERCO Common Stock represented thereby.

1.3 Closing Date. The Closing of the transactions contemplated hereby shall take place at the offices of United, 1927 Michigan Avenue, Detroit, Michigan at 10:00 a.m. on January 31, 1974, (the "Closing Date"), provided that (a) the Merger Agreement and the transactions contemplated hereby are adopted and approved and (b) all conditions precedent to the Closing shall have been satisfied, or if all conditions precedent to the Closing have not been satisfied, the Closing Date shall be as soon thereafter as all such conditions shall have been satisfied; provided, however, that in no event shall the Closing Date occur later than February 28, 1974, without the consents of INTERCO and United's respective Boards of Directors.

1.4 Effective Date. The merger of United with and into CA Inc. shall be effective upon the filing of the Merger Agreement with the Secretary of State of Delaware.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE WARRANTING SHAREHOLDERS

Each of the undersigned Warranting Shareholders, jointly and severally, represents and warrants (which representations and warranties shall pertain to material items and shall survive the Closing Date), subject to the exceptions contained in the Financial Statements (as hereinafter defined) and in the Disclosure Schedule attached hereto as Exhibit B, and except as specified by this Agreement, that:

2.1 Authority and Incorporation. United is a corporation duly organized and existing and in good standing under the laws of the State of Delaware and is duly qualified to conduct business in one other state, the State of Michigan, and has full corporate power to carry on its business and to own and operate its properties now owned or operated by it.

2.2 Capitalization. The authorized capital of United is 350,000 shares of \$1.00 par value Common Stock. The number of shares of said Common Stock which is now outstanding is 290,078 shares, all of which outstanding shares are validly issued, fully paid and nonassessable. Pending closing of the merger, no further shares of capital stock of United will be issued nor will any such shares be retired, purchased or acquired by United. United does not have outstanding any stock purchase warrants or options or other securities convertible into stock, and does not have any shares reserved for issuance but as yet not issued. United is not a party to any agreement obligating it to issue or transfer, at present or upon the occurrence of any further event, any stock of United.

2.3 Valid Transaction. The consummation of the transaction will not violate or result in a breach of or constitute a default under (1) any provision or restriction of any charter, By-Law, loan, indenture or mortgage of United, or (2) any provision or restriction of any lien, lease, agreement, contract, instrument, order, judgment, award, decree, ordinance or regulation or any other restriction of any kind or character to which any property of United is subject or by which United is bound other than provisions, set forth in the Disclosure Schedule, requiring consent of another party for a successor corporation to become a party thereto, which consents will have been obtained or will have been waived by INTERCO by the time said merger is consummated.

2.4 Books of Account. The books of account of United fairly and correctly reflect its income, expenses, assets and liabilities in accordance with generally accepted accounting principles consistently

applied. There have been previously furnished INTERCO the financial statements attached hereto as Exhibit C. Both (i) the Balance Sheet of United at January 31, 1972 and 1973; the related Statement of Income and Retained Earnings and the Statement of Changes in Financial Position for the two (2) years then ended, including in each case the related schedules and notes, all certified by United's certified public accountants, and the Five Year Financial Highlights for the five (5) years then ended, and (ii) the Balance Sheet of United at July 31, 1973 and the related Statements of Income, Shareholders' Equity and Changes in Financial Position of United for the six (6) months ended at July 31, 1973, including the related schedules and notes, certified by United's officers, have in each case been prepared in accordance with generally accepted accounting principles applied on a consistent basis, are correct and complete and fairly present the financial position, results of operations and changes in financial position of United as of said dates and for the periods indicated.

2.5 Accounts Receivable. The amount shown as trade accounts receivable of United at July 31, 1973 shown on the July 31, 1973 Balance Sheet, and at the close of business on the day before the Closing Date will represent good and collectible receivables at the amount so shown less the amount of the reserve in respect of such receivables, which reserve shall have been provided on a basis consistent with prior practices.

2.6 Inventories. The inventories set out in said balance sheets referred to above have been valued at the lower of cost or market using the retail inventory method (first in, first out), after due allowance for obsolete, slow-moving and damaged stock in a manner consistent with prior years.

2.7 Assets. United owns and will own all the assets set out in the aforesaid balance sheets, except those disposed of since the dates of said balance sheets, free and clear of any lien, charge or encumbrance. Except for liens related to taxes not yet due and payable arising as a matter of law in the ordinary course of business and except for imperfections of title insignificant in character and amount, United has and shall have at closing good and marketable title to all said property.

2.8 Liabilities. All liabilities of United, contingent or otherwise, as of the respective dates of the aforesaid balance sheets, required to be shown therein in accordance with generally accepted accounting principles, are set out in said balance sheets and any taxes then due or payable by United have been paid in full, or adequately provided for by reserves shown on its respective records and books of accounts.

All tax returns required to be filed have been filed and such returns accurately reflect the taxes due from United. The federal income tax returns for United have been examined by the Internal Revenue Service through January 31, 1971 and all deficiencies or refunds, if any, have been paid. The Warranting Shareholders shall be, therefore, jointly and severally, liable and responsible for reimbursement of all taxes of United due or subsequently assessed for periods prior to the Closing Date, to the extent they are not provided for or adequately reserved for in the financial statements.

There are no material liabilities of United of any kind whatsoever, including liabilities under any current or previous employee pension or other benefit programs or compensation arrangements, whether or not accrued and whether or not determined or determinable, in respect of which INTERCO or any of its subsidiaries may become liable on or after consummation of the merger contemplated by this Agreement other than

(a) liabilities reflected or adequately reserved against in the Balance Sheet of United as of July 31, 1973 referred to above, including the notes to such balance sheet;

(b) liabilities incurred in the ordinary course of business since July 31, 1973, none of which either alone or in the aggregate are materially adverse to the business, assets or results of operations of United; and

(c) liabilities, obligations or commitments disclosed in the Disclosure Schedule attached hereto as Exhibit B.

2.9 Real Estate and Leases. United holds in fee or under lease all of the real property listed in Exhibit D. Exhibit D correctly sets forth for each parcel of such property (i) the location of the property, (ii) the size of the premises or the nature of the property, (iii) the nature of the interest of United in the property, and (iv) if the property is leased, the identity of the landlord, the term of the lease, the term of any renewal option, the annual fixed rent, any additional rentals, and the nature of any contingent charges. United has good title to all properties shown on such Exhibit to be owned in fee, subject only to exceptions shown on the deeds by which United received title to such properties, liens of taxes not yet due and payable arising as a matter of law in the ordinary course of business, imperfections of title insignificant in character and amount, and zoning and similar restrictions, none of which, to the best of United's knowledge, are presently being violated by United. United has paid or accrued all rent due to date under the leases shown on Exhibit D, such leases permit the properties to which they apply to be used in the manner in which United is presently using them, and to the best of United's knowledge, it is not in default under any such lease.

2.10 Personalty. United has good and marketable title to all merchandise, materials, supplies, machinery, equipment and other property of every kind, tangible or intangible, contained in its respective stores, warehouse and office, and which are shown as assets in its respective records and books of account, free and clear of all liens, encumbrances and charges, and will have such title at closing. All property and equipment owned by United for use in its business are well maintained and in good condition, except for reasonable wear and tear. All leases of personalty are set forth in Exhibit E, attached hereto, and will be at closing, in good standing with all rental due to date paid.

2.11 Contracts. United is not a party to any sales agency agreement not subject to termination on notice of sixty (60) days or less, does not have any contracts for the purchase or sale of any merchandise, materials, products or supplies which contain escalator, renegotiation or redetermination clauses or which commit them for a fixed term, does not have any contracts of employment with any officer or employee, except as set forth in Exhibit F, does not have any pension or retirement plans or agreements, except as set forth in Exhibit G, does not have any profit-sharing plan, nor does it have any management or consultation agreements. It is not a party to any agreement entered into other than in the usual and ordinary course of business. United does not have any contract, order or commitment expected to be performed at a material loss. United carries various insurance policies with respect to its operations and these policies are set forth in Exhibit H attached hereto.

2.12 Litigation. Except as listed in the attached Exhibit I, there are no actions or proceedings pending by or against United before any court, administrative agency or arbitrator and there are no pending, or to their knowledge, threatened or imminent litigations, governmental claims, complaints or prosecutions involving United.

2.13 Purchase Commitments. United does not have any contract for the purchase or sale of merchandise, materials, products or supplies except those made in the ordinary course of business nor is any such contract at a price in excess of current reasonable market price.

2.14 Working Relationships. United has no knowledge of other than good working relationships under all of the sales representation, leasing or other agreements of United necessary to the normal operation of its businesses. United is a party to the collective bargaining agreements set forth in Exhibit J, which collective bargaining agreements are in good standing and United has not received any notice of a material default in same. With respect to employees of United who are not covered by any collective bargaining agreement, none has petitioned for a representation election and, to the best of United's knowledge, no union is presently attempting to organize any of these employees.

2.15 Trademarks and Trade Names. Exhibit K contains a complete and accurate list of all trademarks, trade names, patents and similar items owned by or licensed to United. United owns all trademarks, trade names, patents and similar items so noted, free and clear of any encumbrances or claims of any other persons and United has not been notified of any claim or action seeking to have such trademark, trade name, patent or similar items declared void or invalid. United is not and will not be a party to any license, royalty, or similar agreements at closing.

2.16 Distribution and Loans. Since January 31, 1973, United has not, and will not up to the Closing Date, (i) declared or paid any special dividends, redeemed or otherwise reacquired any of its outstanding stock, or made any other distributions to its stockholders, except for regular dividends of .075¢ per share in April, 1973 and .10¢ per share in July and October, 1973, (ii) given any raises or bonuses to employees other than normal raises or bonuses to employees. United has no outstanding loans, notes, bankers' acceptances, letters of credit and similar obligations.

2.17 Investments. United does not have any investments in, and has not made any advances to, any firms, persons or corporations, other than investments in marketable debt or equity securities or bank certificates of deposit as set forth in Exhibit L.

2.18 Powers of Attorney. There are no outstanding powers of attorney issued by United.

2.19 Brokerage, Investment Advisor, and Similar Fees. The only brokerage, investment, advisor, or similar fee applicable to this transaction is that incurred by United with duPont Walston Incorporated in the event the merger is consummated.

2.20 Operations. Since July 31, 1973, there has not been (i) any change in the financial condition, assets, liabilities, results of operations, or business of United other than changes in the ordinary course of business, none of which changes has been materially adverse, (ii) any damage, destruction or loss in excess of \$25,000, not covered by insurance, materially and adversely affecting the property or business of United. Since July 31, 1973, United has operated its business in the same manner as its business was operated prior to that date and liabilities incurred after said date were in the ordinary course of business.

2.21 Compliance With Law. United is not in violation of any applicable laws, executive orders, rules, regulations or requirements of any governmental authority in any way relating to its business, including but not limited to, employment matters under the Civil Rights Act and The Fair Labor Standards Act, pricing and wage matters under the Economic Stabilization Act of 1970, as amended, and labelling under the Flammable Fabrics Act, and, it is, and will be at closing, in compliance with all presently and then applicable laws, executive orders, rules, regulations and requirements of all governmental authorities.

ARTICLE III

INDEMNIFICATION

3.1 Representations and Warranties of Warranting Shareholder. All statements made by the Warranting Shareholders and/or United contained in this Agreement and/or in any certificate or other instrument delivered by or on behalf of the Warranting Shareholders and/or United pursuant hereto, and in connection with the transactions contemplated hereby, shall be deemed representations and warranties by the Warranting Shareholders in addition to those set forth in Article II and INTERCO shall be entitled to rely upon same. The Warranting Shareholders agree to certify to the aforesaid representations and warranties at the time of Closing and all representations and warranties shall survive the Closing Date (for the claim period(s) provided in subparagraph 3.2 hereof) and any investigation made by or on behalf of INTERCO. The Warranting Shareholders, jointly and severally, agree, but limited to the shares of INTERCO stock received by each of them at Closing, to indemnify and reimburse INTERCO and/or any of its subsidiaries, from and for any loss, liability or expenses arising out of breach of warranties, representations, conditions and agreements contained herein.

3.2 Limitation. Notwithstanding anything to the contrary contained in this Agreement, the Warranting Shareholders shall not be liable for the first \$25,000, in excess of the applicable reserves, of the aggregate net loss, liability and expense suffered by INTERCO and/or any of its subsidiaries by reason of any breach of any of the aforesaid warranties and representations. Also, any indemnifica-

tion by the Warranting Shareholders shall be limited to losses claimed by written notice to them within three (3) years from the Closing Date except with respect to losses resulting from accounts receivable and inventories which shall be claimed within eighteen (18) months and except for tax deficiencies in which case the claim period shall extend until the applicable Statute of Limitation expires (excluding any extension of the original period of limitations without the prior written consent of the Warranting Shareholders). It is understood that any loss collectible hereunder shall be net loss after due allowance for insurance, tax benefits of such losses and similar beneficial adjustments.

3.3 Notice. Whenever INTERCO shall learn of a claim against it and/or any of its subsidiaries which, if allowed (whether by voluntary payment, by settlement or compromise, or by judicial or quasi-judicial decision), would constitute a breach giving rise to a right of indemnification from the Warranting Shareholders hereunder, before paying the same or agreeing thereto, INTERCO shall promptly notify the Warranting Shareholders in writing of the facts within its knowledge with respect to such claim and amount thereof. If, prior to the expiration of twenty days from the mailing of such notice, the Warranting Shareholders shall request in writing that such claim not be paid, the same shall not be paid, and the Warranting Shareholders shall, at their expense, settle, compromise or litigate in good faith such claim; provided, however, that INTERCO shall not be required to refrain from paying any claim which has matured by court judgment or decree, unless appeal is taken therefrom and proper appeal bond posted by the Warranting Shareholders, nor shall it be required to refrain from paying any claim where such action would result in the foreclosure of a lien upon any of the property or assets then held by INTERCO or any of its subsidiaries, or a default in a lease or other contract. INTERCO shall cooperate fully to make available to the Warranting Shareholders all pertinent information under its control.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF INTERCO

INTERCO represents and warrants (which representations and warranties shall pertain to material items and shall survive the Closing Date) that:

4.1 Authority and Incorporation. INTERCO is a corporation duly organized and existing and in good standing under the laws of the State of Delaware and is qualified to do business in, and is in good standing in, all states where it is required to do so. INTERCO has full corporate power to carry on its businesses and to own and operate the properties and assets now owned or operated by it.

4.2 INTERCO Common Stock. All of the shares of INTERCO Common Stock outstanding on the date hereof are, and all of the shares of INTERCO Common Stock outstanding immediately after the Closing Date, will be duly authorized, validly issued, fully paid and nonassessable, and duly listed on the New York Stock Exchange.

4.3 Status of Shares Issued on Conversion. The shares of INTERCO stock to be delivered pursuant to this transaction will, when so delivered, be validly issued and outstanding, fully paid and nonassessable.

4.4 Financial Statements. INTERCO has delivered to United its last fiscal year's financial statements as of February 28, 1973. INTERCO represents these financial statements fairly and correctly present its financial condition and results of operations as of their respective dates in accordance with generally accepted accounting principles consistently applied.

4.5 No Violation. The consummation of this transaction will not result in any breach or violation or default of any judgment, decree, mortgage, agreement, indenture, or other instrument by which INTERCO is bound.

4.6 Authorization of Merger. Neither the execution of this Agreement nor the consummation of the transaction herein provided requires approval of the holders of any class of INTERCO capital stock.

4.7 All Dividends on Preferred Stock and Payments of Principal and Interest on Outstanding Indebtedness Current and not in default. INTERCO is current with, and not in default under, the payment of all dividends on its outstanding First Preferred and Second Preferred Capital Stock and on the payment of principal and interest on its outstanding indebtedness.

4.8 Tax Returns. INTERCO and its subsidiaries have filed all tax returns required to be filed and have paid all taxes shown to be due thereon.

4.9 Survival of Warranties. Except as expressly otherwise provided herein, the representations and warranties of INTERCO set forth herein shall be true on and as of the Closing Date as though such representations were made at that time.

ARTICLE V

RESTRICTIONS PENDING CONSUMMATION OR TERMINATION OF TRANSACTION

5.1 Restrictions on Operations. During the period from the date hereof to the date of consummating the merger provided for herein or until the transactions with regard thereto have been terminated, the Warranting Shareholders will take such action as may be necessary to insure that United shall conduct its operations according to its ordinary and usual course of business, which said company is hereby authorized to do, and shall maintain its records and books of account in a manner that fairly and correctly reflects its income, expenses, assets and liabilities in accordance with generally accepted accounting principles consistently applied. During the period the Warranting Shareholders will take such action as may be necessary to insure that United will not, without the written consent of INTERCO:

(a) Pay or incur any obligation or liability, absolute or contingent, other than (i) matured obligations and liabilities set forth on the July 31, 1973, balance sheet, (ii) liabilities incurred after July 31, 1973, in the ordinary course of business, (iii) liabilities disclosed in the Disclosure Schedule, or (iv) as otherwise permitted by the terms of this Agreement.

(b) Other than in the ordinary and usual course of business, incur or guarantee any indebtedness for borrowed money, assume or endorse or otherwise as an accommodation become responsible for obligations of any other individual, firm or corporation, or make loans or advances to any individual, firm or corporation.

(c) Declare or pay dividends or make any payment or distribution to shareholders as such or purchase or otherwise acquire for value any of its outstanding capital stock, except that if a regular dividend date falls within the period prior to the Closing Date, said regular dividend may be declared and paid.

(d) Mortgage, pledge or subject to lien or other encumbrance any of its properties or assets.

(e) Other than in the ordinary and usual course of business, sell or transfer any of its properties or assets or cancel, release or assign any indebtedness owed to them.

(f) Other than in the ordinary and usual course of business, make any investment of a capital nature either by the purchase of stock or securities, by contributions to capital of any firm or corporation or by property transfers or otherwise, or purchase any property or assets of any other individual, firm or corporation.

(g) Enter into any agreement not subject to termination on notice of sixty (60) days or less, any contract for the purchase or sale of any materials, products or supplies, except in the ordinary course of business, any management or consultation agreement, any lease, license, royalty or union agreement, or any other agreement not in the usual and ordinary course of business; or make any material change in its insurance or advertising.

(h) Increase in any manner the compensation of its officers or executive employees; commit themselves to any additional pension, retirement, or profit-sharing plan or agreement with or for the benefit of any officer, employee or other person; or commit itself to any employment agreement with any person which provides for a term of more than one (1) year.

(i) Issue, transfer, grant options to buy, or enter into agreements to sell, any shares of United.

(j) Enter into any material transaction not in the ordinary course of business.

(k) Discontinue operations of any facilities presently operated by United or make any extraordinary sales or purchases of merchandise or conduct business other than in the ordinary course of business.

ARTICLE VI

INVESTIGATION BY INTERCO

6.1 Access to Records. During the period from the date of this Agreement to the Closing Date, INTERCO and its representatives shall be given free access to the offices, records, files, stock books and minute books, books of account and copies of tax returns of United for the purpose of conducting an investigation of its financial condition, corporate status, liabilities, contracts, business operations, property and title thereto, litigation, patents, trademarks, copyrights and all other matters relating to its businesses, properties and assets; provided, however, that such investigation shall be conducted in a manner that does not unreasonably interfere with its normal operations and employee relationships. United shall cause its personnel to assist INTERCO hereto in making such investigation and to make its counsel, accountants, employees and other representatives available for such purposes. During such investigation, INTERCO shall have the right to make copies of such records, files, tax returns and other materials as it may deem advisable.

6.2 Return of Documents. If the merger is not consummated, each party shall treat all information obtained in such investigation, and not otherwise known to said party or already in the public domain, as confidential and INTERCO shall return to United all papers and records furnished pursuant hereto, and all copies made by it of material belonging to them. This latter undertaking with respect to nondisclosure of confidential information is of the essence and will survive any termination of the contemplated transaction.

ARTICLE VII

CONDITIONS OF AGREEMENT

This Agreement is made expressly contingent upon satisfaction of the following conditions:

7.1 Approvals. Such approvals as may reasonably be required by counsel for INTERCO and counsel for United.

7.2 Legal Assurances. Satisfactory assurance as to legal matters, including legal opinions, if deemed appropriate at the request of either of the parties.

7.3 Tax Matters. Satisfactory assurance as to tax matters, including legal opinions if deemed appropriate.

7.4 Pooling of Interests. A written confirmation from INTERCO's auditing firm, Peat, Marwick, Mitchell & Co., that the proposed transaction qualifies for a "pooling of interests" and the acceptance of such accounting treatment by the New York Stock Exchange.

7.5 Employment Agreements. Execution of the Employment Agreements with Bert A. Hyman and Samuel Kane.

7.6 No Adverse Change. No material adverse change shall have taken place in the status of United and/or INTERCO, which change, at the time the merger described herein is to be consummated, would make it inadvisable or impractical, in the sole opinion of the Board of Directors of INTERCO and/or the Board of Directors of United for the transaction to be consummated.

7.7 Absence of Litigation. No suit, action or other proceeding or investigation shall be threatened or pending before any court or governmental agency (i) to restrain or prohibit, or to obtain damages or other relief in connection with, this Agreement, or the consummation of the transactions contemplated hereby, or (ii) on account of any matter or for any claim against United not disclosed herein or on the Exhibits hereto and which, in the reasonable judgment of INTERCO, may adversely affect the business or financial condition of United.

7.8 Consents. Consents of Lessors to the substitution of Surviving Corporation as Lessee, if required.

ARTICLE VIII

PAYMENT OF EXPENSES

8.1 Payment of Fees and Expenses. Each corporate party to this Agreement, i.e. INTERCO being one party and United being the other party, shall promptly pay the costs and expenses incurred at any time prior to or after the Closing Date, by it or by others and properly allocable to it in connection with conducting the negotiations leading to this transaction or performing or otherwise carrying out the provisions of this transaction.

ARTICLE IX

SECURITIES ACT OF 1933

9.1 Registration Required; Preparation, Filing and Effectiveness of Registration Statement. INTERCO and United acknowledge that the transactions contemplated hereby are subject to the provisions of the Securities Act of 1933, as amended (the "Act") and Rule 145 thereunder. INTERCO agrees to prepare promptly and file a registration statement (the "Registration Statement") under and pursuant to the provisions of the Act for the purposes of registering the shares of Common Stock to be issued in connection with the transactions contemplated hereby. United agrees to provide promptly to INTERCO information concerning the business and financial condition and affairs of United as may be required or appropriate for inclusion in the Registration Statement and to cause its counsel and auditors to cooperate with INTERCO's counsel and auditors in the preparation of such Registration Statement. INTERCO and United agree to use their respective best efforts to have such Registration Statement declared effective under the Act as soon as may be practicable and to distribute the prospectus contained in such Registration Statement (the "Prospectus") to the shareholders of United not less than twenty (20) days prior to the date upon which this Agreement, the Merger Agreement and the transactions contemplated hereby are submitted to the shareholders of United for approval and adoption. United agrees to postpone the special meeting of its shareholders in the event that the twenty (20) day requirement would not be fulfilled. Except to the extent permitted by Rule 145(b), INTERCO and United agree not to publish any communication, other than the Registration Statement or notice and proxy material accompanied by the Prospectus, in respect of

this Agreement, the Merger Agreement or the transactions contemplated hereby. INTERCO shall not be required to maintain the effectiveness of the Registration Statement or the Prospectus for the purpose of resale by the Affiliates. The certificate or certificates representing shares of Common Stock issued to Affiliates may bear a restrictive legend, in substantially the following form, prohibiting sale or transfer except as contemplated by this Agreement and the Registration Statement:

The shares represented by this certificate have been issued or transferred to the registered holder as a result of a transaction to which Rule 145 under the Securities Act of 1933, as amended (the "Act") applies. The shares represented by this certificate may not be sold, transferred or assigned, and the issuer shall not be required to give effect to any attempted sale, transfer or assignment, except (i) pursuant to current registration under the Act, (ii) a transaction permitted by Rule 145 and as to which the issuer has received reasonable and satisfactory evidence of compliance with the provisions of Rule 145 or (iii) a transaction which, in the opinion of counsel satisfactory to the issuer or as described in a "no action" letter from the staff of the Securities and Exchange Commission, is not required to be registered under the Act.

Certificates representing shares of the INTERCO Common Stock issued to United shareholders other than Affiliates will not bear the foregoing legend.

9.2 Registration Rights of Affiliates. In the event that one or more Affiliates should desire to effect sales of shares of INTERCO Common Stock received as a result of the transactions contemplated hereby other than pursuant to the provisions of Rule 145 or in the event that Rule 145 is not available for resales, INTERCO agrees that said shares may be sold and that INTERCO will at any time within three years after the Closing Date cause the shares proposed to be sold to be registered under the Act, subject to the following terms, conditions and understandings:

(i) The Affiliate or Affiliates desiring to sell in a registered offering (the "Selling Shareholders") shall make a written request to INTERCO for the registration of shares of INTERCO Common Stock, specifying the number of shares to be registered (which shall have a market value of at least \$1,000,000) and the names of the Selling Shareholders. INTERCO shall then use its best efforts to register said shares under the Securities Act of 1933 and any applicable state security laws, and to keep such registration statement effective for a period of at least six (6) months, said registration to be based upon INTERCO's year-end Financial Statements and upon the requirements of said Act; provided, however, that INTERCO shall not be required to file more than one such registration during said three year period. It is understood that INTERCO shall have the right to determine that said public offering should be underwritten and INTERCO may, at its option, control the manner of said underwriting, but such control shall not unreasonably interfere with said offering and shall not adversely affect the interests of the Selling Shareholders of United. Except for filing fees, transfer taxes, underwriter's fees and expenses, and the fees of any counsel to the Selling Shareholders, all of which shall be borne by the Selling Shareholders, INTERCO shall bear all other expenses, including but not limited to, accounting fees, counsel fees and printing expenses.

(ii) In addition to the foregoing, during said three year period the Affiliate or Affiliates who receive INTERCO Common Stock upon the consummation of the merger shall be entitled to piggyback rights on any and all INTERCO registrations of securities under the Securities Act of 1933 and under any applicable state security laws (except registration of any stock offered or to be offered to employees of INTERCO or its subsidiaries or registrations pertaining to stock used or to be used in acquisitions). INTERCO will, prior to any such registration, give the aforesaid Affiliate or Affiliates written notice of its intention, indicating the approximate time when it is anticipated that the registration will be filed. If within fifteen (15) days after the giving of such notice, INTERCO shall have received written notice from one or more of the aforesaid Affiliates (i) stating that they desire to sell an aggregate of at least 25,000 shares of INTERCO; (ii) requesting that such shares be included in the registration; and (iii) agreeing to furnish promptly upon request information in reasonable detail as to the method of disposition of such shares, also the net consideration, after all commissions, discounts, costs and expenses, which such of the shareholders, their successors or assigns, expect to receive upon such disposition, INTERCO

shall include such shares in the registration statement and use its best efforts to cause such registration statement to become effective. INTERCO also agrees to use its best efforts, if such shareholders have so requested in their said notices, to include, if such inclusion is practicable in the opinion of the underwriter and INTERCO Board of Directors, such shares in any arrangements made for the underwriting or other distribution plans made for other securities of the same class being offered pursuant to said registration statement. INTERCO shall control the manner of said public offering but such control shall not unreasonably interfere with said offering and shall not adversely affect the interests of the Selling Shareholder. The expenses of the registration and sale of the shares of the Selling Shareholders shall be borne pro rata as set forth above.

ARTICLE X

DELIVERY OF DOCUMENTS

10.1 Closing Documents. Each party will deliver or cause to be delivered such documents, instruments, stock certificates, stock powers, opinions of counsel, certifications, notices and further assurances as counsel for the respective parties may reasonably require as necessary or desirable in connection with the consummation of the transactions provided for hereunder.

10.2 Further Documents. After the Closing, each party to this Agreement shall, at the request of any other, furnish, execute and deliver such documents, instruments, opinions of counsel, certificates, notices or other further assurances as counsel for the requesting party shall reasonably require as necessary or desirable for effecting complete consummation of this Agreement.

ARTICLE XI

TERMINATION

This Agreement may be terminated under any of the following circumstances by notice sent (except as otherwise stated) on or before the Closing Date:

11.1 INTERCO Rights. INTERCO shall have the right to terminate if during the period from the date hereof to the Closing Date any of the following occur:

(i) If United shall suffer any loss from fire, flood, explosion or other casualty which substantially adversely affects the conduct of its business or the value of its assets.

(ii) INTERCO shall learn of any material fact or condition with respect to the business, properties or assets of United, which is substantially at variance adversely with one or more of the warranties or representations as set forth herein.

(iii) Any material adverse change shall have taken place in the status of INTERCO or United, which change, at the time of Closing, would make it inadvisable or impractical, in the opinion of the INTERCO Board of Directors, to consummate the merger.

(iv) If United shall have taken any action contrary to any one or more of the prohibitions set forth in Article V of this Agreement.

(v) INTERCO shall not have received on or before the Closing Date all such approvals as may reasonably be required by counsel for INTERCO.

(vi) INTERCO shall not have received the opinions of Peat, Marwick, Mitchell & Co. and the New York Stock Exchange that the merger qualifies for "pooling of interest" treatment.

(vii) The shares of INTERCO Common Stock are not accepted for listing by the New York Stock Exchange, however, INTERCO will use its best efforts to obtain such listing.

(viii) The holders of more than 5% of the outstanding United Common Stock shall have taken steps to dissent from the merger under applicable law to enable them to exercise appraisal rights.

11.2 United Rights. United shall have the right to terminate if during the period from the date hereof to Closing any of the following shall occur:

(i) INTERCO shall suffer any loss from fire, flood, explosion, or other casualty which substantially adversely affects the conduct of its business or the value of its assets.

(ii) United shall learn of any material fact or condition with respect to the business, properties or assets of INTERCO which is substantially at adverse variance from one or more of the warranties or representations as set forth herein.

(iii) Any material adverse change shall have taken place in the status of INTERCO or United, which change, at the time of Closing, would make it inadvisable or impractical, in the opinion of the Board of Directors of United to consummate the merger.

(iv) United shall not have received on or before Closing all such approval as may reasonably be required by counsel for United.

11.3 Additional Rights. Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated and abandoned by mutual consent of the Boards of Directors of both corporate parties to this Agreement prior to the effective date of the merger. Also, any party may terminate this Agreement, if such party is informed and in good faith believes that litigation may be instituted by a governmental agency, which, if successful, would preclude such transaction.

11.4 Effect of Termination. If this Agreement shall not be consummated either because it is terminated pursuant to the terms hereof, or because of the inability of any parties by reason of causes beyond his or her or its control to carry out performance as contemplated by this Agreement, no party shall be liable to any other for any loss, damage, or expense, except for the confidential undertakings set forth in Article VI above.

ARTICLE XII

MISCELLANEOUS

12.1 Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly delivered if delivered in person or sent by first class registered or certified mail, return receipt requested, postage prepaid.

(a) If to any one or more of the Warranting Shareholders, to their address noted below their respective signature line.

(b) If to United, to the President, United Shirt Distributors, Inc., 1927 Michigan Avenue, Detroit, Michigan 48216.

(c) If to INTERCO, to the Secretary, INTERCO INCORPORATED, Ten Broadway, St. Louis, Missouri 63102.

The designation of the person to be so notified or the address of such person may be changed by similar written notice.

12.2 Persons Bound. This Agreement shall be binding upon and shall inure to the benefit of the undersigned parties, the successors and assigns of the corporate parties hereto, and the executors, administrators, heirs, successors and assigns of the Warranting Shareholders.

12.3 Counterparts. This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original but which together shall constitute one and the same instru-

ment. This Agreement constitutes the whole Agreement and expressly supersedes the Memorandum of Intent dated August 14, 1973, and the Agreement and Plan of Reorganization dated September 24, 1973, among the parties and may not be altered or amended except by further written agreement among the parties. It is understood and agreed that in entering into this Agreement, no party has relied on any oral representations, warranties, or information made or given by any party hereto, or his or its representatives.

INTERCO INCORPORATED

By W. L. EDWARDS, JR.
Senior Executive Vice President

CA Incorporated

By W. L. EDWARDS, JR.
President

United Shirt Distributors, Inc.

By BERT A. HYMAN
President

Warranting Shareholders:

BERT A. HYMAN
Bert A. Hyman
1927 Michigan Avenue
Detroit, Michigan 48216

SAMUEL KANE
Samuel Kane
1927 Michigan Avenue
Detroit, Michigan 48216

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER ("Agreement of Merger") made as of the 30th day of January, 1974 by and between CA INCORPORATED, a Delaware corporation ("CA INC."), and United Shirt Distributors, Inc., a Delaware corporation ("United"), such corporations being hereinafter sometimes collectively called the "Constituent Corporations";

WITNESSETH:

WHEREAS, CA INC. is a corporation duly organized and existing under the laws of the State of Delaware, has its registered office in the State of Delaware at 229 South State Street in the City of Dover, County of Kent, and the name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.; and

WHEREAS, CA INC. has a capitalization consisting of 512,000 authorized shares of common stock, without par value, of which shares are issued and outstanding; and

WHEREAS, United is a corporation duly organized and existing under the laws of the State of Delaware, has its registered office in the State of Delaware at 100 West Tenth Street in the City of Wilmington, County of New Castle, and the name of its registered agent at such address is The Corporation Trust Company; and

WHEREAS, United has a capitalization consisting of 350,000 shares of Common Stock, \$1 par value, of which 290,078 shares are issued and outstanding; and

WHEREAS, the respective Boards of Directors of CA INC. and United deem it advisable for the mutual benefit of the Constituent Corporations and their respective stockholders that United be merged with and into CA INC. pursuant to the General Corporation Law of Delaware, upon the terms and subject to the conditions hereinafter provided, and such Boards of Directors have approved and adopted this Agreement of Merger;

NOW, THEREFORE, CA INC. and United agree that pursuant to the applicable law of Delaware and subject to the terms and conditions hereinafter set forth, United shall be merged into CA INC. and that the terms and conditions of such merger, including the mode of carrying the same into effect, shall be as follows:

1.1 The merger shall become effective upon the date ("Merger Date") of the filing of this Agreement of Merger with the office of the Secretary of State of Delaware whereupon United shall be merged into CA INC. CA INC. shall be the surviving corporation and it shall continue to be governed by the laws of the State of Delaware. CA INC. as such surviving corporation is hereinafter sometimes referred to as the "Surviving Corporation." The Articles of Incorporation of CA INC. will be amended so as to change the name of CA INC. to United Shirt Distributors, Inc. immediately after the Agreement of Merger is effective.

ARTICLE II

2.1 From and after the Merger Date, the Certificate of Incorporation of CA INC. as in effect immediately prior to the Merger Date shall continue in full force and effect as the Certificate of Incorporation of the Surviving Corporation until it shall thereafter be further amended in accordance with law. The Surviving Corporation reserves the right to amend, alter, change, or repeal after such merger any provision contained in its Certificate of Incorporation, and all rights conferred in this Agreement of Merger are subject to such reserved power.

2.2 The By-Laws of CA INC. as in effect immediately prior to the Merger Date shall continue in full force and effect as the By-Laws of the Surviving Corporation until they shall thereafter be duly amended.

2.3 The directors of CA INC. immediately prior to the Merger Date shall be the directors of the Surviving Corporation to hold such offices, subject to the By-Laws of the Surviving Corporation, until their successors are elected and qualified.

The officers of CA INC. immediately prior to the Merger Date shall be the officers of the Surviving Corporation and shall hold office, subject to the By-Laws of the Surviving Corporation, at the pleasure of the Board of Directors.

2.4 Upon the Merger Date, the effect of the merger shall be as provided in the applicable provisions of the Delaware law. Without limiting the generality of the foregoing, and subject thereto, upon the Merger Date: the separate existence of United shall cease, and the Surviving Corporation shall possess all the rights, privileges, powers and franchises as well of a public as of a private nature, and shall be subject to all of the restrictions, disabilities and duties of United; and all and singular, the rights, privileges, powers and franchises of United and all property, real, personal and mixed, and all debts due to United on whatever account, as well as all other things in action or belonging to United shall be vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired, but all rights of creditors and all liens upon any property of either of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of United shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it.

ARTICLE III

The manner and basis of converting the shares of each of the Constituent Corporations into shares or other securities of the Surviving Corporation shall be as follows:

3.1 The shares of common stock of CA INC. outstanding on the Merger Date shall not be converted as a result of the merger and shall remain outstanding as shares of the Surviving Corporation. No shares of the Surviving Corporation shall be issued in conversion of the shares of United common stock.

3.2 Forthwith upon the Merger Date, the mean average per share closing price of INTERCO INCORPORATED's ("INTERCO"), parent company of CA INC., common stock on the New York Stock Exchange for the ten (10) trading days preceding the calendar week in which the vote of United shareholders is taken will be divided into \$4,280,000. The result thereof shall be the total number of shares of common stock of INTERCO, which shares are owned by CA INC., to be issued to United's shareholders upon the conversion of the 290,078 outstanding shares of United common stock; provided, however, that in no case shall said number of shares of INTERCO common stock be less than 112,652 shares nor more than 142,667 shares. The number of INTERCO shares so determined shall then be divided into 290,078 and the result shall represent the number of shares of United common stock to be converted into one share of INTERCO common stock. Upon the Effective Date, therefore, the outstanding shares of United common stock shall be automatically converted into and become the appropriate number of shares of INTERCO common stock, based upon the above formula. The term "closing price" shall refer to the last sale price and the term "trading days" shall refer to days on which there were any sales of INTERCO common stock on the New York Stock Exchange. United has no treasury shares.

3.3 From and after the Merger Date, the holders of certificates representing the common stock of United prior to the merger shall cease to have any rights with respect to such shares, and their sole rights (other than as explicitly set forth herein) shall be to receive the common stock of INTERCO into which their shares have been converted pursuant to the merger as provided in this Article III. After the Merger Date each holder of an outstanding certificate or certificates theretofore representing common shares of United shall be entitled, upon surrender of the same (duly endorsed)

to receive in exchange therefor a certificate or certificates representing the number of whole shares of common stock of INTERCO into which shares of United theretofore represented by the certificate or certificates so surrendered shall have been converted as aforesaid. No fractional shares of common stock of INTERCO shall be issued on conversion of the common stock of United pursuant to this Agreement of Merger. In lieu of the issuance or recognition of fractional shares of INTERCO common stock or interests or rights therein, the Conversion Agent shall pay to each former shareholder of United otherwise entitled to a fractional share of INTERCO common stock an amount in cash equal to the fair market value of any such fractional share of INTERCO common stock to which such shareholder would be entitled but for this provision. For purposes of such payment the fair market value shall be the same fraction of the last sale price of the INTERCO common stock on the New York Stock Exchange on the last day prior to the Closing Date on which any shares of INTERCO common stock were sold on such Exchange. Unless and until any such outstanding certificates for common stock of United shall be surrendered for conversion, no dividend payable to holders of record of common stock of INTERCO at or after the Merger Date shall be paid to the holders of such outstanding certificates for common shares of United but upon surrender of such outstanding certificates as aforesaid there shall be paid to the record holder of the certificates for common stock of INTERCO delivered in exchange therefor the dividends (without interest) that have theretofore become payable with respect to the common stock of INTERCO represented by said certificates delivered upon such surrender and exchange.

3.4 All shares of common stock of INTERCO for which shares of common stock of United are exchanged pursuant hereto shall be deemed to be transferred in full satisfaction of all rights pertaining to such shares, including any obligation of United or the Surviving Corporation to pay such dividends, if any, as may have been properly declared by United in respect of its common stock payable to shareholders of record as of a date prior to the Merger Date which remain unpaid at the Merger Date.

3.5 All shares of common stock of INTERCO, to be transferred in exchange for shares of common stock of United as above provided, shall be validly issued, fully paid and nonassessable.

ARTICLE IV

4.1 If the Agreement and Plan of Reorganization, dated as of November 19, 1973, executed by the parties hereto, is terminated, then this Agreement of Merger shall simultaneously terminate without further action by the Constituent Corporations. In the event of such termination the Board of Directors of each of the Constituent Corporations shall direct its officers not to file this Agreement of Merger as provided above notwithstanding favorable action on this Agreement of Merger by the stockholders of United.

ARTICLE V

5.1 This Agreement of Merger may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute one and the same instrument.

5.2 Any of the provisions of this Agreement of Merger may be waived at any time by the party which is, or the stockholders of which are, entitled to the benefit thereof upon the authority of such party or the Board of Directors of such party, provided that no such waiver shall be so authorized after the last vote of the stockholders of United if, in the judgment of the Board of Directors of United, such waiver would affect materially and adversely the benefits of United or its stockholders intended under this Agreement of Merger. Any of the provisions of this Agreement of Merger may be modified at any time prior to or after the vote hereon of the stockholders of United, by agreement in writing approved by the Board of Directors of each party and executed in the same manner (but not necessarily by the same persons) as this Agreement of Merger, provided that such modification after the last vote of the stockholders of United hereon shall not, in the judgment of the Board of Directors of United, affect materially and adversely the benefits of United or its stockholders intended under this Agreement of Merger.

IN WITNESS WHEREOF, CA INC. and United have caused their respective corporate seals to be hereunto affixed and these presents to be signed by their respective officers thereunto duly authorized, all as of the day and year aforesaid.

CA INCORPORATED

By W. L. EDWARDS, JR.
W. L. Edwards, Jr., *President*

(Corporate Seal)

ATTEST:

RONALD L. AYLWARD
Ronald L. Aylward, *Secretary*

United Shirt Distributors, Inc.

By BERT A. HYMAN
Bert A. Hyman, *President*

(Corporate Seal)

ATTEST:

HERBERT M. EIGES
Herbert M. Eiges, *Secretary*





